Tuesday November 12 1991

nental trading

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xibility to work hardest
ts are richest.

Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.900	Iran	Rls210	Philippines	Pso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Es175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din1.000
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,607

Wednesday November 13 1991

D 8523A

ARGENTINA
Menem walks tall in Washington
Page 3

BEHIND CLOSED DOORS

PART FOUR
'The Bank of Crooks and Cocaine International'
Page 6

World News

Anti-Russian revolt poses war threat to the Caucasus

The rebellion against Russian power in the Moslem autonomous republic of Chechen Ingushetia threatens to engulf the Caucasus in anti-Russian and internecine warfare. Neighbouring republics pledged support and even armed assistance. Page 16

Fighting intensifies
Forty-seven federal army soldiers were killed in the besieged city of Vukovar in eastern Croatia in a single day of fighting. The news confirms that the war is intensifying. Page 16

Troops fire on mourners
Indonesian troops opened fire on mourners at an East Timor cemetery, killing a number and wounding many others. An official spokesman said protesters had wielded sticks and knives. Page 4

Space project at risk
The future of Hermes, the French-led European space shuttle project, is in the balance because Germany cannot finance its share of development. Page 16

Cambodian fears
Aid workers in Cambodia expressed deep concern about the willingness of the outside world to provide the money and personnel needed to restore the country. Page 4

Kurdish crisis eases
A tense 10-day stand-off between the Iraqi military and Kurdish rebels appeared to have cooled. Page 4

China attacks Bush
China attacked US attempts to press Beijing on human rights, describing US policy as "garbage". Page 4

Afghan peace talks
Soviet ministers began talks with Afghan mujahideen rebels with the aim of ending their conflict with Kabul. Page 4

Premiers snub Hawke
Australian prime minister Bob Hawke suffered a serious political defeat when the six state premiers voted to boycott talks with the federal government on taxation reform. Page 4

US military cuts
The US military will end or reduce operations at 71 additional installations in Europe, mostly in Germany, by 1995. The Pentagon said it would bring to 381 the number of such cuts in the region.

New Marcos charges
The Philippines brought a barrage of fresh criminal charges against Imelda Marcos and her children, accusing them of hiding hundreds of millions of plundered dollars in Swiss, US and British banks.

Kenya death inquiry
A Kenyan foreign minister murdered 20 months ago after calling for an investigation into high-level corruption was forced into a car by his killers after a struggle at his home, a British detective told the judicial inquiry. Page 3

Winter sports threat
Global warming could wipe winter sports off the Alps within 30 years, environmental experts warned in Geneva.

Business Summary

Paris seeks way to cut strikes in state groups

German-style worker participation in France's state-owned companies is being considered by Edith Cresson, the prime minister, as a means of reducing the risk of strikes like the one that recently hit Renault for three weeks.

It is likely to be opposed, however, by the chairmen of the companies, which employ 11 per cent of the country's workforce. Page 16

ROYAL INSURANCE, UK general insurer, confirmed discussions with two European insurers – Aachener und Münchener Beteiligungs of Germany and Fondiaria of Italy – about the possible formation of strategic links. Page 17

BRITISH Airways surprised with a 7.3 per cent rise in second-quarter pre-tax profits to £176m ($313m). BA is to increase its interim dividend by 5 per cent to 2.94p. Page 17; Airlines foresee an end to turbulence, Page 17; Lex, Page 16

PERSTORP, Swedish specialty chemicals and plastics group, is joining a consortium of Italian companies to form a business for supplying industrial laminates to the European electronics market. Page 17

MITSUBISHI Petrochemical, Japanese petrochemical company, has blamed sluggish chemical sales for a 21.9 per cent fall in unconsolidated interim pre-tax profits to Y19.6bn ($150.8m). Page 19

EUROPEAN subsidiaries of Digital Equipment, largest minicomputer company, and Apple Computer, second largest personal computer maker, announced a reciprocal marketing agreement. Page 18; Inmos and IBM strengthen ties, Page 4

TELECOMS: Sir Bryan Carsberg, director-general of Oftel, UK telecommunications watchdog, has approved the regulatory section of the prospectus for the BT share sale to be published today. Page 17

PERNOD Ricard, French drinks company, reported a 3 per cent increase in consolidated sales to FFr11.09bn ($1.99bn) for the first nine months of the year. Page 18

TWO US stores chains reported a fall in net third-quarter profits, underlining the difficult conditions persisting in the retail industry, despite October's better-than-expected sales figures. Page 19

JAPANESE private sector machinery orders – a leading indicator of economic activity – were sluggish again in September, falling 1.6 per cent compared to a year ago to Y1,447bn ($11.3bn). Page 4

CITIZEN Watch and Seiko, Japan's leading watch companies, reported modest declines in sales and falling profits. Page 19

MENNEN, US toiletries company with products including Speed Stick deodorant and Skin Bracer after shave, is for sale. It is expected to attract bids of more than $600m. Page 19

SOUTH Africa: A strike by 35,000 workers at Impala Platinum, the world's second largest producer, has cut output by 90 per cent. Page 4

Britain provisionally agrees to new powers for Strasbourg

UK signals EC concession

By David Buchan in Noordwijk

BRITAIN yesterday signalled its first significant concession in the European political union negotiations by provisionally agreeing to new law-making powers for the EC parliament.

The system would for the first time give MEPs the right to negotiate their amendments directly with the Council of Ministers in certain areas of EC legislation. It would also give them the right to kill an EC bill if it did not contain their amendments.

At the start of a two-day bargaining session of EC foreign ministers at the Dutch resort of Noordwijk, Mr Douglas Hurd, the UK foreign secretary, said Britain's acceptance of the new system depended crucially on what areas it was applied to. A UK official said: "Nothing on this is agreed, until the scope of its application is also agreed."

The Dutch presidency's draft proposes that it should apply to legislation covering the EC internal market, infrastructure projects, consumer protection and multi-year environmental and hi-tech programmes.

The UK believes the new legislative mechanism should be considerably more limited in its application, the official said. Only on internal market legislation – an activity Britain enthusiastically supports – does the UK feel comfortable with Strasbourg having more say.

Mr Hurd's conditional endorsement of new powers for the parliament, coming the day after the measured tone of prime minister John Major's speech on Europe at London's Guildhall, raised hopes of a breakthrough on some key political union issues before next month's Maastricht summit. "There is moderate optimism," said Mr João de Deus Pinheiro, Portugal's foreign minister. "The words of John Major last night encouraged us all."

Dutch officials were keen to provide political cover for Britain's shift on parliamentary powers. The presidency spokesman termed Mr Hurd's role yesterday as "constructive, helpful, while not abandoning well-known [British] positions on certain issues". But he said, "we have the feeling that all delegations agreed to an increase in power for the parliament in the legislative process".

Ministers also appeared to agree that, to promote efficiency within the EC executive, the number of full commissioners should be cut from 17 to 12, with the second commissioners now fielded by the five large EC states taking more junior roles.

More controversial was the discussion on giving Germany 18 more MEPs to reflect the incorporation of eastern Germany last year. Ministers were described as evenly split on this idea, which has been endorsed by the parliament but not discussed until yesterday among ministers.

Mr Enrique Baron, president of the 518-member European parliament, said ministers' failure to give MEPs a full right of co-decision on EC legislation showed their mistrust of the Strasbourg assembly.

EC summit, Page 2

Dutch foreign minister Hans van de Broek (centre) embraces colleagues before the European political union meeting in Noordwijk yesterday. They are, anti-clockwise, João de Deus Pinheiro of Portugal; Gerry Collins, Ireland; Gianni de Michelis, Italy; Jaques Poos, Luxembourg; Mark Eyskens of Belgium and an unidentified official

Bonn spares small savers with plan for tax on investments

By Christopher Parkes in Bonn

THE GERMAN government unveiled plans yesterday for a 25 per cent withholding tax on investment income, but softened the impact with large tax-free allowances for personal savers and exemptions for foreigners.

The package, which is expected to come into force at the start of 1993, also leaves banking secrecy laws intact. It was welcomed in financial markets for its neutral effects, and there was general agreement that it was unlikely to spur capital flight overseas.

There had been some concern, damped by well-placed leaks during the preparation of the scheme, about the possibility of unsettling German capital markets at a time of considerable fiscal stress.

A ruling from the constitutional court earlier this year, which said it was unfair that the government should rely on the honesty of the public when declaring investment income, had raised fears that the principle of banking secrecy might have to be set aside.

Although the changes had been well-signalled, personal allowances were higher than had been expected, and stock markets responded with early increases and bank shares were in demand for most of the day. German government bonds increased 30 pfennigs above Monday's fixing levels, mainly because of foreign interest.

Presenting the plan in Bonn, Mr Theo Waigel, finance minister, said that the allowances of DM12,000 ($7,400) for couples and DM6,000 for single people and children would mean that 80 per cent of those currently liable to pay tax on their savings interest would in future be exempt.

He said that at current interest rates, a couple with, say, a DM200,000 nest-egg would not have to pay any tax on the investment income.

All the income from the levy, estimated at around DM10bn a year at current interest rates, would be used by the government to subsidise personal allowances on savings and tax breaks on pensions. "The state does not want to gain ... We want to give the money back", Mr Wai-
Continued on Page 16

Lex, Page 16
World stock markets, back page, Section II

Howe backs Major against UK critics

By Philip Stephens, Political Editor, in London

POLITICAL allies of Mr John Major, the British prime minister, yesterday launched a pre-emptive strike in an effort to isolate critics of his approach to Europe in the run-up to the Maastricht summit.

The move came as Sir Geoffrey Howe, Mrs Margaret Thatcher's longest serving cabinet minister, marked the first anniversary of his House of Commons resignation speech which triggered her downfall by backing Mr Major's search for a deal at the December summit.

Writing in today's Financial Times exactly a year after his devastating attack on Mrs Thatcher's policy towards Europe, Sir Geoffrey rejects the "misleading and dangerous" misconception that Britain "can really exercise a veto over most, if not all, of the agenda others have in mind".

The former chancellor and foreign secretary says that this does not mean that Britain is committed irretrievably to an open-ended diet of "Euro-federalism". But he quotes approvingly Mr Major's judgment that Britain must be at the "heart of Europe" if it is to influence its future development. "We cannot be influential in that way unless we have convinced our partners that we are working with them, with a common purpose, and in good faith", he adds.

The effort among Mr Major's allies at Westminster to isolate the hard core of Tory MPs who are expected to reject any deal on closer integration came in the annual contest for the chairmanship of the backbench committee on Europe.

Sir Norman Fowler, a former cabinet minister and close confidant of Mr Major, announced that he would seek to displace Mr William Cash, the present incumbent and a leading Eurosceptic. Sir Norman said the aim was to demonstrate that the vast majority of the parliamentary party would unite behind any agreement signed by Mr Major.

His decision enraged Mr Norman Tebbit, one of the most vehement critics of economic and political union. Mr Tebbit described Sir Norman as "a recycled Cabinet minister" and attacked the positive tone of Mr Major's approach to the summit.

But Mr Tebbit, a former party chairman, decided against challenging Sir Norman for the committee post. That was interpreted by the prime minister's allies as a sign of weakness, underlining their view that only a small number of Conservative MPs are irresolutely opposed to a European deal.

Although Downing Street distanced itself from any role in what in other times would be a hardly noticed backbench election, Sir Norman made clear that his campaign platform was essentially that the party should "trust John Major".

His supporters were predicting a comfortable victory when the result is announced this evening.

Continued on Page 16

Howe reflects on Britain's place in Europe, Page 15

Barings to pay $78m for stake in Dillon Read

By Alan Friedman in New York and Robert Peston in London

BARINGS, the London-based merchant bank, yesterday confirmed it had agreed to buy 40 per cent of Dillon Read, the Wall Street investment bank, as part of a $117m sale of Dillon Read by Travelers, the troubled US insurance group.

The partial merger brings together two of the most venerable merchant banking names on Wall Street and in the City of London. Barings was founded in 1762 and Dillon Read in 1832. Mr Andrew Tuckey, Barings' deputy chairman, said the banks had similar cultures and had tried to retain their traditional partnership structures.

Fifty-five Dillon Read executives are putting up $39m of their own money for a 60 per cent stake in the bank.

Barings is paying $26m for 40 per cent of Dillon Read's ordinary shares and a further $52m for preferred stock.

It is financing the investment by selling £39.5m ($70m) of new non-cumulative preferred shares to UK investors.

Mr Tuckey said net assets of Dillon Read were about $100m, so he regarded the price being paid as relatively low given that most investment banks change hands at a bigger premium over book value.

The two banks will be managed independently. But Barings will encourage its corporate clients to use Dillon Read if they want to do business in the US and it expects Dillon Read to refer customers when they want to carry out transactions in Europe.

Mr John Birkelund, Dillon Read's chairman, said the two institutions plan to develop a joint business plan for selling products with worldwide appeal.

Travelers, which bought Dillon Read in 1985 for $157.5m, said yesterday it would declare a $34m after-tax charge in the fourth quarter as a result of the $122m transaction, which includes a $5m dividend being paid before completion of the sale.

The US insurer, which has been hit by large property losses in recent months, stressed that it had received net distributions of $30m from Dillon Read over the years.

Mr Birkelund denied Wall Street rumours that Travelers had been searching for a buyer for the past 12 months. He said the deal had been under negotiation since September, when Mr Tuckey, asked him if he was interested in forming a link.

Dillon Read refused to give precise details of its profits, but said it had earned an average after-tax return on capital of 23 per cent over the past five years. On average, therefore, it has been making post-tax profits of about $25m, although analysts say it had a disappointing year in 1990.

Dillon Read employs 550 people at its New York headquarters and a further 100 staff at its offices in London, Tokyo and Paris.

Observer; Blue-blood marriage, Page 14

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Sweden's centre-right takes fast route to free market

The minority coalition government of Carl Bildt, Swedish prime minister (left), has "achieved more in its first six weeks in office than in the six years when they were last in power", says economist Sten Westerberg
Page 2

MARKETS

STERLING
New York :
$1.76935 (1.769)
London:
$1.773 (1.7695)
DM2.90 (2.905)
FFr9.9075 (9.9225)
SFr2.5725 (2.565)
Y229.75 (230.0)
£ Index 91.2 (same)

GOLD
New York Comex Dec
$356.7 (356.2)
London:
$355.2 (353.95)

N SEA OIL (Argus)
Brent 15-day Dec
$21.225 (21.525)

Chief price changes yesterday: Page 17

DOLLAR
New York
DM1.64005 (1.6385)
FFr5.6025 (5.604)
SFr1.454 (1.447)
Y129.975 (130.085)
London:
DM1.635 (1.6415)
FFr5.5875 (5.6075)
SFr1.4505 (1.449)
Y129.6 (130.0)
$ Index 63.4 (63.6)
Tokyo close:Y129.95

US CLOSING RATES
Fed Funds: $4\frac{7}{8}$% ($4\frac{5}{8}$%)
3-mo Treasury Bills: 4.739% (4.741%)
Long Bond: $102\frac{13}{32}$ ($102\frac{1}{2}$)
yield: 7.786% (7.898%)

STOCK INDICES
FT-SE 100:
2,575.5 (+20.6)
FT-SE Eurotrack 100:
1,106.72 (+6.41)
FT-A All-Share:
1,242.07 (+0.8%)
FT-A World Index:
149.37 (+0.8)
New York
DJ Ind. Av.
3,054.11 (+11.85)
S&P Comp
396.74 (+3.62)
Tokyo: Nikkei
24,667.73 (+434.74)

LONDON MONEY
3-month interbank:
$10\frac{11}{32}$% ($10\frac{9}{32}$%)
Liffe long gilt future:
Dec $95\frac{7}{16}$ (same)

Germany and France closer to EMI accord

By Andrew Hill in Brussels

FRANCE and Germany have moved closer to resolving their main differences over European monetary union (Emu) by backing a compromise on the status of the European Monetary Institute, which is intended as the forerunner to a European central bank.

At a meeting yesterday of finance ministers, the two countries supported a proposal to split the two top EMI posts between an independent managing director appointed by member states and a president appointed by EC central bank governors.

France has said it wants the EMI to be headed by a president and vice-president who could form their own policy in the run-up to full monetary union, independent of central bankers. Germany, on the other hand, believes such a strategy might lead to confusion over the control of monetary policy.

Officials from the two countries were asked to find a compromise a week ago, after finance ministers and central bank governors were unable to resolve the dispute.

The French now seem prepared to concede that the president of the EMI could be appointed by and from the existing committee of EC central bank governors. The Germans, in their turn, would allow member states to appoint a managing director answerable to the president, from outside the bank governors' committee.

However, the Netherlands, which holds the EC presidency, is not yet prepared to write such a compromise into the Emu treaty. The idea was discussed only in general terms at yesterday's inter-governmental conference on Emu and the Dutch are still believed to favour a president appointed by member states.

European Commission officials yesterday described the structure suggested by France and Germany as similar to that of the International Monetary Fund. Mr Michel Camdessus is the prominent managing director of the IMF while its policy-making ministerial committee is chaired by Mr Carlos Solchaga, the Spanish finance minister.

Finance ministers, who have scheduled extra meetings to discuss the technical aspects of Emu before next month's Maastricht summit, also reached a broad consensus that the EMI should be granted only sufficient capital reserves to finance its basic operations and that major policy decisions should be made by unanimous vote.

National experts have been asked to come up with formal conditions for countries which want to transfer reserves to the institute on a voluntary basis - an option favoured by Spain, Belgium, France, Luxembourg, Portugal and Greece.

Sweden takes sharp centre-right turn

The new government has its foot hard on the accelerator, writes Robert Taylor

SWEDEN'S centre-right government is changing the face of the country from social democracy to a more free market economy with a speed and self-confidence that has surprised most observers.

The minority coalition government of Mr Carl Bildt has "achieved more in its first six weeks in office than in the six years when they were last in power", says Mr Sten Westerberg, a senior civil servant in the economics departments of non-Socialist governments between 1976-1982.

Mr Westerberg, now chief economist at the Enskilda Fondkommission investment firm, remembers the interminable conflicts over policy and personalities which helped to undermine and finally discredit Sweden's non-Socialist alternative.

Haunted by memories of that time, Mr Bildt's government is keen to avoid making the same mistakes. Both Mr Bildt, who leads the Moderate party, and his close political ally in the coalition, Mr Bengt Westerberg, the Liberal leader, believe they have an opportunity to turn Sweden irrevocably away from more than half a century of Social Democratic domination and to oversee a prolonged period of non-Socialist rule. Even some opposition politicians believe it could dominate the political agenda for the next decade.

The new government is being helped by a change in Sweden's national mood over the past two years.

"The last time the non-Socialists were in power they said they could run social democracy better than the Social Democrats. But not any more," says Mr Sten Westerberg.

Earlier this week, the prime minister addressed a civil servants union conference in his first public speech since announcing the government's programme on October 4. It is a sign of the times that he could both address such a gathering and receive a polite welcome. But it is what he told the delegates that is significant.

Within the context of his own country's political language, Mr Bildt is making revolutionary statements. For more than half a century Swedes were taught to believe that state and society were synonymous and that the function of government was to try to resolve all problems.

Mr Bildt's message is that "the state ought not to strive after doing what a free society can manage better or as well". By laying down clear limitations on how far the responsibility of the state should go in human affairs, he is challenging what has been received wisdom in Swedensince the 1930s.

Governments should confine themselves only to the maintenance of the rule of law; to providing conditions for a free enterprise economy; to guarantee a high class education system; to safeguard fundamental social security for the old; to provide necessary infrastructure investment; and to ensure the country plays a role in wider international co-operation.

What shocks the left is that Mr Bildt is carrying out his promises "with unashamed eagerness", says Mr Sten Westerberg. Indeed, the array of free market proposals announced in the past few days has hardly raised an eyebrow outside the interest groups, such as the unions and local authorities.

Trade union leaders have argued that many jobs will be lost and regional policy undermined with the sale of state industry. Some Social Democrats argue the government's policies will mean more inequality and class conflict. But there are no signs so far that public opinion is turning against the government.

Only a few years ago, the political atmosphere was quite different. The non-Socialists were accused of bringing "Thatcherism" to Sweden when they put forward comparable free market policies in the 1985 general election. They were soundly defeated.

For Mr Bildt's government, these are still early days. Sweden's economy is in deep recession and the rising budget deficit may check the government's tax cutting plans. Mr Bildt has four diverse parties to hold together in government and one or more of them may grow restive in the months ahead.

So far though, the coalition looks more secure and trouble-free than anybody thought possible and there have been few fudges and compromises. Mr Bildt has set Sweden on a new course and so far most people seem to like it.

FREE MARKET MEASURES

Sweden's centre-right government plans to:

- ☐ Lift restrictions on the foreign ownership of Swedish companies, shares and commercial property from January 1 next year. Foreigners will no longer need government permission to acquire over 40 per cent of the equity and 20 per cent of the voting rights of a Swedish company.
- ☐ Privatise Sweden's 35 state-owned companies starting next spring. It hopes to raise up to SKr10bn.
- ☐ Abolish the country's 30 per cent tax on working capital by 1994 and to lower the tax rate for capital income from 30 per cent to 25 per cent by 1993.
- ☐ Cut government spending by SKr9bn and taxes by SKr7bn in the next financial year and go on doing so by similar amounts to reduce tax rates and public spending to western European levels.

EC SUMMIT

Major says common defence policy must not weaken Nato

By Ivor Owen, Parliamentary Correspondent

ANY advance made at the EC summit in Maastricht towards a common defence policy must not lead to the establishment of structures which would weaken Nato, Mr John Major, the British prime minister, warned yesterday.

Reporting to the Commons on the outcome of the Nato summit held in Rome last week he underlined Britain's proposal that the nine-nation Western European Union (WEU) should have a key role in strengthening the European pillar of the alliance.

Mr Neil Kinnock, the Labour leader, agreed that the development of any European security identity and defence role should not detract from the central importance of Nato and the trans-Atlantic relationship with the US and Canada.

The prime minister also secured general support for his view that the WEU should not be allowed to become an instrument for perpetuating European rivalries.

He said that "WEU should not duplicate Nato decision making, it should not duplicate Nato structures, it should not be subordinated either to the European union or Nato and it should not discriminate between European allies favouring some against others, depending on their membership of the Community."

Mr Paddy Ashdown, leader of the Liberal Democrats, maintained that there was nothing inimical between support for Nato and the establishment of a common defence policy for Europe.

He asked for an assurance that the government would continue to work for a common security and defence policy as stated at the inter-governmental conference on political union in September.

While emphasising the need to avoid structures which competed with and weakened Nato, the prime minister acknowledged that a European defence identity was important.

Mr Major said: "The primacy of Nato is vital for the defence of this country, and the security of Europe."

John Major: insists Nato is vital for defence of Britain

Coalition partners put Haughey on probation

By Tim Coone in Dublin

IRELAND'S Progressive Democrats (PD), junior partners in Mr Charles Haughey's government, have told him he can count on their support as long as nothing else happens to undermine confidence in his leadership.

The party's leaders discussed late into Monday night whether to remain in the alliance following the challenge to Mr Haughey's leadership last weekend from within his Fianna Fail party. The prime minister survived by a comfortable 55-22 majority.

"We asked Fianna Fail to sort out their internal problems and clearly they did," a PD spokesman said yesterday.

"Our concern now is to see the stability of the government restored and we have sought reassurances that we can all now buckle down and get on with implementing our joint programme of government."

He added, however, that "there are no blank cheques or guarantees".

A recent series of financial scandals focusing on two state-run companies, triggered the leadership heave against Mr Haughey as Fianna Fail backbenchers and the PD became increasingly uneasy over his ability to hold the government together.

Had Mr Haughey survived the no-confidence motion by a narrower margin, it is probable that the PD would have abandoned the coalition.

Official inquiries are currently being carried into the scandals and allegations of corruption and political favouritism in the beef industry.

A cabinet reshuffle is expected today following the sacking last week of Mr Haughey's unsuccessful challengers, Mr Albert Reynolds and Mr Padraig Flynn, respectively finance and environment ministers. Mr Michael Woods, the social welfare minister, and Mr Bertie Ahern, justice minister are tipped as the most likely candidates.

Poland courts oil investors

By Deborah Hargreaves

THE Polish government is talking to 26 leading oil companies about investing in its oil industry when it is privatised next year.

Mr Jacek Siwicki, Poland's secretary of state for privatisation, said in London yesterday that he had offers ranging from taking stakes in Polish refineries of up to $800m to joint venture ideas for 200 petrol stations.

The government estimates the oil industry needs investment of $3bn (£1.7bn) in the next five years, but many foreign investors believe this is a conservative figure.

The World Bank will next month start studying how Poland's regulatory, tax and pricing policy for the oil industry should be changed to encourage foreign investment.

"We are starting with no presumptions. We are just talking to companies about what they would like to do if the environment is right," Mr Siwicki said.

Poland imports more than half of its oil from the Soviet Union. The country has few oil reserves, but is discussing issuing exploration licences to western oil companies.

Warsaw is looking to privatise the oil refining and distribution industry with its large Gdansk and Plock refineries requiring significant modernisation work.

● Burmah Castrol, the oil lubricants company, will soon establish a subsidiary in Poland, according to Mr Jonathan Fry, the managing director, writes Christopher Bobinski in Warsaw.

Burmah has had a representative office in Poland for 25 years. This year it supplied 4 per cent of all lubricants used in the country and had a 25 per cent market share of imports with sales of DM50m ($30.5m).

● President Lech Walesa yesterday pressed squabbling Solidarity politicians to accept his nominee Mr Bronislaw Geremek as Poland's new prime minister, saying he intended to formally propose him to parliament, Reuter reports.

Mr Walesa's statement that he would nominate Mr Geremek when parliament convened on November 25 was presented as a virtual ultimatum to leaders of some pro-Solidarity parties which have been reluctant to accept Mr Geremek to the post.

Mr Walesa held talks with Mr Geremek and leaders of three main pro-Solidarity parties which could form the nucleus of a government.

Mr Geremek, a leader of the Democratic Union, the biggest party in parliament, has met opposition from almost all main parties since Mr Walesa asked him last Friday to try to form a new government.

The parties, none of which won more than 13 per cent of the vote in parliamentary elections on October 27, are bitterly divided over further reform of the economy.

Mr Geremek is attempting to gather a coalition around a programme which aims to fight the deep recession caused by Poland's radical market reforms without re-igniting inflation or slowing the transformation of the economy.

Soviet budget deficit on course to exceed Rbs150bn this year

By John Lloyd in Moscow and Leyla Boulton in Kiev

SOVIET internal and external debts threaten the collapse of the country's financial system, judging from figures submitted yesterday by the Soviet Finance Ministry to the union parliament.

The figures show the Soviet budget deficit was just under Rbs90bn at the end of 1990, and is on course for Rbs153.3bn by the end of this year.

The Interfax news agency quoted Mr Yuri Andreyev, a member of the budget and finance committee of the USSR Supreme Soviet, as saying that the Auditing Chamber of the USSR had forecast a total internal debt of Rbs1 trillion (million million)by the end of this year.

Mr Ivan Silayev, chairman of the Inter-republican Economic Committee, has said that fresh talks with representatives of the Group of Seven Industrial countries will be held in Moscow on Sunday when it was hoped to agree on delaying debt repayment.

The 12 Soviet republics are trying to put the finishing touches to an agreement sharing out the former Soviet Union's assets and liabilities in order to start jointly servicing the Soviet foreign debt from next January.

Mr Boris Soboliev, Ukrainian deputy minister for foreign economic relations, said there were some difficulties in finalising annexes of the accord.

Ukrainian officials said that the republic had already had informal contacts with the Paris club of major creditor states on an independent settlement of a chunk of the Soviet debt.

The inter-republican accord seeks to implement a memorandum committing the 12 republics to share responsibility for a foreign debt now reported to exceed $80bn. But the inter-republican draft appears to contradict the notion of "joint and several" responsibility set out in the memorandum.

This formula means that if one or more republics fail to pay their share, others cover for them. The draft document stipulates that republics do not carry responsibility for the obligations other signatories.

It is understood that Ukraine's share of the debt will be 15 per cent.

The body of the leader of the Soviet revolution, Vladimir Lenin, in his mausoleum in Red Square, Moscow, where it has lain since 1929. Reformers want the body buried in St Petersburg (formerly Leningrad), next to Lenin's mother

Klose elected parliamentary leader of German SPD

MR Hans-Ulrich Klose, a relative outsider, was elected yesterday as the new parliamentary group leader of Germany's opposition Social Democratic Party (SPD), writes Quentin Peel in Bonn.

Mr Klose, 54, who was a former mayor of Hamburg, and was most recently party treasurer, will serve alongside Mr Björn Engholm, the national chairman of the party.

He was born in Breslau, in what is now Polish Silesia, before his parents fled to the former West Germany after the war.

Mr Klose won the leadership of the parliamentary group, which was hitherto held by Mr Hans-Jochen Vogel, in a run-off against Ms Herta Däubler-Gmelin, who had been the favourite.

A third candidate, the SPD social affairs spokesman Mr Rudolf Dressler, dropped out after the first ballot.

While Mr Engholm, Schleswig-Holstein's premier, is the party's national leader, Mr Klose could be an alternative chancellor candidate in the next elections in 1994.

Russia fears domino effect as rebel republics flex muscles

Boris Yeltsin's nightmare is that the conflict with Chechen Ingushetia will spread, says Chrystia Freeland

GENERAL Dzhokar Dudayev, president of the breakaway Chechen Ingushetia republic, does not think much of the tactics of Russian President Boris Yeltsin.

"The Russians are making mistake after mistake," the khaki-clad leader said, echoing a charge Mr Yeltsin has often levelled at his own rival, Soviet President Mikhail Gorbachev.

"By making the conflict more acute here, they are consolidating the peoples of the Caucasus. Russia will now lose all of its colonies more quickly than it would have otherwise."

The hectic goings-on in General Dudayev's office, which is packed with Kalashnikov-toting bodyguards, support his assertion. In the morning, Zviad Gamsakhurdia, the radical Georgian president, telephoned to pledge his assistance. In the afternoon, the prime minister of Dagestan, another autonomous republic within the Russian federation, called to co-ordinate a response to an expected Russian blockade.

General Dudayev said Tatarstan, the largest autonomous republic, was also a staunch supporter. Regional leaders have even begun to speak of an association of northern Caucasian peoples independent of Russia.

The Russian nightmare – that the conflict in Chechen Ingushetia might set off a domino reaction among the 16 autonomous republics and over 30 autonomous areas of the mammoth Russian federation – could be coming true.

Fittingly, General Dudayev's own militant nationalism was fuelled by Mr Gorbachev's crackdown in the Baltics, where the air force general had command of an airport and refused to disperse demonstrators and Russian vacillation over the weekend has served only to embolden the leaders of Chechen Ingushetia.

Last week Mr Yeltsin declared a state of emergency and called in Russian and Soviet troops. On Monday, the Russian parliament overruled his decision and criticised his judgment.

But the legislature's backdown is not enough for General Dudayev and his supporters, who hold non-stop demonstrations and prayer meetings outside the parliament building in the capital, Grozny.

General Dudayev says that he will refuse to meet any Russian delegation until Russia recognises his republic's independence.

He describes the Russian parliament's vote as "a provocation" and says Russia will mount an economic blockade under cover of the resolution, taken by the parliament on Monday, forbidding the shipment of weapons into a region which already bristles with military hardware.

If Russia tries to put on the economic squeeze, General Dudayev vows: "We will close our own borders with Russia and Russia will suffer more than we will."

Chechen Ingushetia is an oil producer, and the main road fro Russia to southern republics, including oil rich Azerbaijan, runs through the autonomous republic.

Yesterday the Azerbaijani parliament met to decide whether to support their fellow muslims in Chechen Ingushetia.

To cut its economic losses, Chechen Ingushetia has already signed contracts with Turkey and with Jordan, whose former prime minister is a native Chechen and frequently visits the republic.

If Russia, which has already encircled the small republic with one division in North Ossetia, one or two in Dagestan and rumoured troop movements in the Stavropol region, chooses to go to war, General Dudayev says it will rue the decision.

"If Russians had the power they would happily dance on the graves of the last Chechen. But in battle their losses will be ten or 100 times greater than ours," says General Dudayev.

General Dudayev speaks proudly of the newly-formed women's battalion and says that when the last Chechen man dies fighting, the women will step in. He says that 300,000, or nearly one third of the republic's inhabitants, have volunteered to serve in the national guard.

Some were in evidence on Monday night, at the border between Chechen Ingushetia and North Ossetia, where they welcomed foreign correspondents with celebratory rounds of rifle fire.

"Our position is to stand here and not budge until the Ingushian question is resolved," said Khasan Ziazikov, a 38-year-old carpenter. "We are ready to die to the last man," adds his comrade at arms, Bekkha Uzhathov, 31, a director of a co-operative.

The two were members of a group of over 500 men, armed with everything from ancient hunting rifles to new Soviet military hardware, barring the return of Russian and Soviet troops in the contested region.

The 110km highway between Grozny and Vladikavkaz, capital of the neighbouring autonomous republic of North Ossetia, to which a Russian troop contingent withdrew on Sunday, is dotted with 14 more checkpoints, all similarly fortified, with heavy trucks, tyre bonfires and barricades built of rubble.

The 150,000 Ingushians, less numerous than the 820,000 Chechens, have a special grievance which promises to further inflame the region. They hope to win back territory now in North Ossetia from which they were expelled in 1953.

The Ossetians, whose northern capital is already overflowing with refugees fleeing Georgian persecution, are unlikely to peacefully hand over territory.

Less than 10km from the border, in Narzan, at a prayer meeting-cum-political rally which has continued non-stop for the past six days, Ingushians ask Allah for peace and a return of their lost lands.

Narzan is the temporary capital of the Ingushians, who hope eventually to re-occupy the border region with North Ossetia and take over half of Vladikavkaz, currently the norther Ossetian capital.

Mr Issa Kodozoiev, the 53-year-old poet who is the leader of the Ingushians, feels betrayed by Mr Yeltsin, who visited the area last spring and promised to return lost villages.

"The Ingushian people once viewed Yeltsin very positively: 99.7 per cent supported him in the presidential election," says Mr Kodozoiev.

"And now our president has sent in his army to suffocate our independence." Mr Kodozoiev also warned that Russian rulers, who first conquered Chechen Ingushetia in 1859, will be unable to resolve the conflict in the area.

"The Caucasus is a very complicated region and only we can solve our problems. I do not see leaders in the Russian parliament who are competent enough to decide our fate," he said.

Meanwhile, the 20,000 strong Russian minority is understandably worried.

Although Russians have lived in the region since Tsarist times, few have mastered the Chechen language and see its introduction as an obligatory subject in schools as a sign of creeping discrimination.

"They say we will be treated well, but all the same Russians are fleeing," said Ivan Sushin, a 43-year-old engineer who was born in Grozny. "It will be like Moldova or Latvia. This is what is called nationalism."

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OECD foresees slower recovery in US economy

By William Dawkins in Paris

ECONOMIC recovery in the US and other leading industrialised countries will be later and slower than expected, according to provisional forecasts by the Organisation of Economic Co-operation and Development (OECD).

US gross national product *should grow by 2.6 per cent* next year, half a percentage point below what the OECD was forecasting as recently as early last month, according to a working paper prepared for a two-day meeting of senior financial officials which began in Paris yesterday.

The OECD has cut by half its forecast of 2.7 per cent annualised economic growth for the US in the second half of this year. It is sticking to its earlier forecast that US GNP will expand by 3.3 per cent in 1993.

Slower than expected growth will help trim the US inflation rate from the 3.9 per cent expected this year to 2.9 per cent by the end of 1993, says the paper. European economies will also see an easing in inflation.

Officials emphasised the figures were only rough indications, and would be finalised in the next fortnight for the OECD's six-monthly economic outlook.

The paper suggests OECD's leading members should refrain from tax cuts and rely on recent interest rate reductions to stimulate their economies. It also recommends that the US, Italy, Germany and Canada trim their budget deficits.

The US is not the only leading economy to have its growth forecast reduced. Japan is heading for a 2.5 per cent rise in GNP next year, against earlier forecasts of 3.5 per cent, while Germany is expected to achieve 2.1 per cent, a fraction down on the previous forecast of 2.2 per cent, according to the paper. Overall, the OECD's 24 members are forecast to achieve average economic growth of 2.8 per cent in 1992, against the 2.6 per cent expected last month.

However, this will not be enough to make a dent in unemployment, forecast to rise from an OECD average of 7.1 per cent this year, to 7.3 per cent in 1992, falling back to present levels the following year. Western Europe will be hardest hit, with a forecast rise in the average jobless rate from the current 9 per cent to 9.4 per cent in 1992.

Mulford growth warning

SLOW growth and widening trade imbalances could bring major risks for the world economy, the US Treasury has warned in its annual report to Congress on international economic and exchange rate policy, reports George Graham in Washington.

Mr David Mulford, Treasury under-secretary for international affairs, said growth in the Group of Seven leading industrial nations was expected to average little more than 1 per cent this year and less than 3 per cent next.

He warned that large external imbalances were re-emerging in Japan and could start widening again in other countries. This reinforced the need for G7 countries to adjust their policies after a period in which their economies have diverged widely, with recessions in the US, UK and Canada, weak activity in France and Italy, and rapid growth in Germany and Japan.

In the US, Mr Mulford said a recovery, though sluggish, was underway, and that he expected growth to be positive in the fourth quarter. He acknowledged, however, that the margin for error made negative growth possible.

The Treasury report said there had been progress in bringing down real interest rates, but that the persistence of high rates in Germany had kept rates higher worldwide, with important implications for growth and investment.

Pentagon announces closure of more bases in Europe

By George Graham in Washington

THE US yesterday announced a new round of military base closures in Europe, taking a further step in its plan to halve its forces there.

The Defence Department said it would close or cut its operations at 71 European bases, mostly in Germany. The closures will include two major military installations, the Daley Barracks and the Bad Canstatt military hospital, and will involve a reduction of 3,600 troops and 1,300 civilian personnel.

The cuts are the latest to be announced by the Pentagon, which plans to halve the number of US troops in Europe to around 150,000 by 1995, as part of a broader plan to reduce the overall number of troops on active service to around 1.6m.

The US has already cut the number of troops to 2m, the lowest level since before the Korean war build-up.

In addition to Europe, the US is also planning to slash its Asian military presence, with base cuts in South Korea, Japan and the Philippines.

While cuts in troop levels abroad are relatively uncontroversial, the Defence Department has had a much harder time persuading Congress to accept military base closures within the US, because of the sizeable economic impact on the congressional districts within which these bases lie.

Congress has also blocked plans for new bases in Europe, prohibiting the construction of an air base at Crotone in Italy for the 401st tactical fighter wing, which the Pentagon had intended to move from Spain.

The Pentagon has also been fighting with Congress to obtain much deeper cuts in reserve and national guard forces. It had wanted to cut 105,000 reservist positions this fiscal year, but Congress has refused to accept a cut of more than 37,800.

BACK ON TOP: Menem will tell Bush of his successes in economic reform and political stability

Menem walks tall in Washington

John Barham on why Argentina's president is in self-confident mood

WHEN Argentine President Carlos Menem strides into the Oval Office tomorrow for a meeting with President George Bush he will probably be wearing a broad grin. For the first time in recent memory an Argentine president will be in Washington less as a supplicant and more as a self-assured leader conscious of his considerable domestic achievements.

Economic reform, political stability and close ties with Washington are the biggest feathers in Mr Menem's cap. His seven-day state visit, which begins today, will largely consist of an elaborate display of these achievements on the US political stage.

Mr Carlos Helbling, of Argentina's International Relations Council, said Mr Menem's visit will "consolidate Menem's image in the US. Previously this image was somewhat confused."

Mr Menem's reputation as a womaniser, sports maniac and party-goer overshadows his successes. Argentina, like Latin America as a whole, is widely viewed as a land of hyperinflation, corruption and military coups. Indeed, Mr Menem's government was enmeshed in several corruption scandals this year, and, when Mr Bush last saw Mr Menem in December, the Argentine president had just quelled yet another army mutiny.

However, Mr Menem has since strengthened his grip on power, as his free-market economic reforms reduced monthly inflation to less than 2 per cent and generated growth forecast at 6-7 per cent for 1992. This helped his government make a strong showing in September's midterm gubernatorial and congressional polls.

The US has had a crucial influence on Mr Menem from the outset of his presidency in 1989, lending him guidance, support and encouragement. Ties between Washington and Buenos Aires, formerly either tense or indifferent, have never been better. Equally, US Ambassador Terence Todman has never shrunk from making very clear to Mr Menem Washington's views on questions such as corruption.

The Argentine leader reversed Peronist doctrine and ditched anti-American policy

On the advice of Mr Domingo Cavallo, initially Mr Menem's foreign minister and now his economy minister, the Argentine leader reversed Peronist doctrine, ditching his country's traditionally anti-American policy.

He scrapped the controversial Condor II medium-range missile project, sent Argentine warships as token contributions to Operation Desert Storm during the Gulf war and has been alone among Latin leaders in attacking Cuban President Fidel Castro.

Above all, Mr Menem abandoned 60 years of state control of the economy, opting instead to tear down trade barriers and privatise state companies. The September elections showed that jarring economic reform is not incompatible with democratic rule, a point that has gladdened the US.

However, much to his own disappointment and the satisfaction of his enemies, Mr Menem's foreign policies – described succinctly by Foreign Minister Guido di Tella as the equivalent of "carnal relations" with Washington – have not yielded any tangible benefits.

The two presidents will only sign a bilateral investment protection treaty, with the US expected to announce resumption of Eximbank coverage for Argentina.

Washington has shown no enthusiasm for Mr Menem's offer to mediate in the Middle East or help ease President Castro from power, and has ignored Argentine pleas to end agricultural export subsidies or rapidly settle Argentina's $61bn foreign debt. Instead, Mr Menem will again be held to his word to physically destroy the Condor prototypes and their associated hardware, a promise that US diplomats say has yet to be fulfilled.

US officials repeatedly tell the Argentines that progress on trade, investment and debt will take time because they are bound-up in complex international negotiations. Furthermore, reform in Argentina still has a long way to go, and other Latin countries, notably Mexico and Chile, are ahead in the queue for rewards from Washington.

Nevertheless, while Argentine officials may remain frustrated, they believe that, by proving itself a stable and reliable western ally, the country's will eventually see a rising tide of foreign investment.

Foreign business interest in Argentina is muted, but outside investors are beginning to look more closely at opportunities in financial markets, privatisations and the oil industry. Mr Cavallo, who is accompanying Mr Menem, said "we hope this visit will lead to greater knowledge in businesses, banks and the news media in the new Argentine reality. We want more investments, and [more] US companies to operate or invest in privatised state companies."

Independent local and US observers feel that Washington should also press Mr Menem to take to heart basic Western values such as the rule of law, due process and the separation of powers. They say that Mr Menem and his Peronist party have quietly subverted or muzzled virtually every constitutional check on the executive, ranging from Mr Menem's packing the Supreme Court to the sacking of administrative ombudsmen.

Last week, Mr Menem shocked liberal opinion, by saying: "I prefer to be authoritarian with public support rather than democratic with the support of 20 per cent."

Brazil set for $2bn pact with IMF soon

By Christina Lamb in Rio de Janeiro

BRAZIL expects to conclude an agreement for a $2bn (£1.1bn) standby facility from the International Monetary Fund within the next week, according to Mr Arminio Fraga, international director of the country's central bank.

Mr Fraga left for Washington yesterday for final talks with the fund on Brazil's fiscal situation and "details on our balance of payments position and how we will reach our fiscal targets". He admitted an accord was now unlikely to go before the IMF board for approval until January, and this would depend heavily on whether the government succeeded in getting congress to pass proposed tax reforms before recessing in December.

The government is seeking extra credits from multilateral institutions to meet its balance of payments projections for the next two years. Under the terms of the already-drafted letter of intent, Brazil will seek a 15 per cent real increase in public-sector tariffs, further cuts in government spending, and an extra $12bn in tax revenues. Mr Fraga insisted: "We are determined to put our house in order." Once an agreement had been approved, talks would restart with creditor banks on restructuring Brazil's $52bn commercial debt, on which it is paying 30 per cent interest.

BCCI probe in Kingston

A TEAM of US investigators from the Department of Justice arrived in Kingston yesterday to probe allegations that the Bank of Credit and Commerce International (BCCI) bribed central bank officials in Jamaica, reports Alan Friedman in New York.

The allegations were made by Mr Abdur Sakhia, the former BCCI head of US operations who testified last month before a Senate commitee. BCCI officials in Jamaica have denied any wrongdoing at the branch.

State premiers boycott Hawke tax talks

By Kevin Brown in Sydney

MR BOB HAWKE, the Australian prime minister, suffered a serious political defeat yesterday when the six state premiers voted to boycott talks with the federal government on taxation reform.

The states' announcement followed frantic efforts by Mr Hawke to rescue the talks, which formed a central part of attempts to modernise federal/state relations.

Mr Hawke accused the premiers of doing a "disservice to the nation" by abandoning the talks, which would also have covered job creation and gun control.

However, the premiers said the talks had been torpedoed by Mr Paul Keating, the former treasurer (finance minister) who unsuccessfully challenged Mr Hawke for the Labor leadership in June.

The states were angered by an announcement by Mr Hawke that the government would not accept proposals to ease federal control over state spending by devolving tax raising powers. Mr Hawke had earlier appeared ready to give the states a guaranteed share of federal income tax to replace the existing system of tied grants, which gives the central government substantial leverage over state spending.

The proposed reforms became politically unacceptable after Mr Keating claimed they represented a betrayal of Labor's traditional policy of increasing central government power. Mr Keating's view attracted considerable support among federal Labor MPs, many of whom believe the states lack commitment to social programmes initiated and funded by federal Labor governments.

The cancellation of the talks is a blow to Mr Hawke, who has made reform of federal/state relations a central part of his fourth administration, elected in 1990.

However, Mr Keating's successful intervention is unlikely to provide a sufficient platform for a second leadership challenge, which supporters of Mr Keating say would require a considerable error of judgment by the prime minister. The premiers said they would pursue reform through the establishment of a council of the federation which will hold its first meeting next week in Adelaide without representatives from Canberra.

Mr Wayne Goss, the Labor premier of Queensland, said the states would not allow the "divisions and tensions" in the federal government to block progress towards the removal of restrictions on inter-state movements of goods and capital. The premiers agreed in July to move towards mutual recognition of standards on products and occupational licensing, and the establishment of national authorities to run rail transport and electricity distribution.

S African platinum mines hit by strike

By Philip Gawith in Johannesburg

A STRIKE by 35,000 workers at Impala Platinum, the world's second largest producer, has cut output by 90 per cent, the parent company Genmin said yesterday.

Impala, based in the nominally independent homeland of Bophuthatswana, said three of its mines were not operating, while a fourth reported a 30 per cent attendance. The company's metals processing plant was operating normally.

The strike started on Monday following failure to resolve four months of intermittent disruption. The root problem is that South Africa's National Union of Mineworkers, which claims to represent 60 per cent of Impala's workforce, is banned in Bophuthatswana.

Impala says it cannot recognise the NUM without breaking Bophuthatswana laws.

The NUM, however, has accused the company of "hiding behind Bophuthatswana authorities and archaic legislation", and has challenged Impala to say whether it agrees with the right of the homeland to exist.

Mr Michael McMahon, managing director of Impala, responds: "Impala does not make a political statement. We are trying to survive in the middle of an intense political struggle."

Genmin said yesterday it had not received any formal notification from employee representatives explaining the reasons for the strike. The NUM said the strike was in protest against the detention by Bophuthatswana authorities of union shop stewards and because management had backtracked on agreements concerning dispute handling.

Impala appears to be stuck in a vicious spiral, with workers taking industrial action, management responding, and workers then taking further action in response to management. The company said it had lost about two weeks of production since disturbances started in July. Impala produces about 1.1m ounces of platinum each year.

Officials in the Bophuthatswana government believe the troubles are caused by the African National Congress (ANC), with which the NUM has close links, trying to destabilise the homeland. The ANC opposes homeland structures.

The Bophuthatswana officials argue that if changes to labour legislation are required, this should be the result of democratic processes in Bophuthatswana, not imposed by a union from "another country".

Japanese machine orders dip 1.6%

By Steven Butler in Tokyo

JAPANESE private sector machinery orders were sluggish again in September, falling 1.6 per cent compared to a year ago to Y1,447bn (£6.3bn) excluding orders for ships and power equipment, the Economic Planning Agency said yesterday.

The figure is seen as a leading indicator of economic activity in Japan and has added to evidence of a gradually cooling economy. The year-on-year figures have now declined for four consecutive months.

"We are looking at a distinct slowdown in capital spending," said Mr Russell Jones, an economist at UBS Phillips & Drew International.

The September figure was none the less stronger than some forecasts indicated, representing a seasonally adjusted 10.2 per cent rise over August. The rise was accounted for by increased orders from the oil and coal products and paper and pulp industries, helping to dispel fears of a sudden collapse in spending. Month-to-month spending had fallen by 4.9 per cent in August.

The EPA said it expects sluggishness to continue, with fourth-quarter machinery orders falling by 7.5 per cent compared to the third quarter.

Total orders in September rose by 20.5 per cent year-on-year, buoyed by orders for power station equipment, which tend to vary widely from month to month.

Anglo denounced

South Africa's main mining union denounced the giant Anglo American Corporation yesterday for its handling of violence at a gold mine in which at least 76 blacks were killed, Reuter reports from Johannesburg.

Police gave the latest death toll at Anglo's President Steyn mine after seven workers died overnight from wounds received in three nights of clashes sparked by political and tribal differences.

'N-threat to Japan'

Mr Michio Watanabe, the Japanese foreign minister, urged North Korea yesterday to allow international inspection of its nuclear facilities which he said were a potential threat to Japan, Reuter reports from Seoul. "If nuclear facilities in North Korea are not used for peaceful purposes, we cannot overlook this as they will become an important factor in threatening Japan," Mr Watanabe told reporters at Seoul's Kimpo airport.

"It's very important for North Korea to accept international nuclear inspection as a signatory to the non-proliferation treaty," he said.

Aid for Philippines

The European Community Commission said yesterday it had approved Ecu500,000 (£714,000) in emergency aid for the victims of typhoon Thelma that ravaged the Philippines last week, AP reports from Brussels. Thelma killed 6,000 and made thousands more homeless.

Colombo peace plea

Sri Lanka, announcing plans yesterday to spend almost 10 per cent of its 1992 budget on defence, appealed for an end to the "senseless" war with Tamil separatists, Reuter reports from Colombo.

"If peace is restored, I am sure our economy will grow faster and be one of the leading economies in the region," said Mr Dingiri Banda Wijetunga, the prime minister, who is also finance minister.

Boat people protest

About 2,000 Vietnamese boat people demonstrated for a second day yesterday against any further plans to deport them forcibly to their communist homeland, AP reports from Hong Kong. Meanwhile, Vietnam's foreign ministry said returning boat people would not be punished.

Egypt fails to meet IMF targets

By Tony Walker in Cairo

EGYPT has almost certainly breached budget targets set by the International Monetary Fund in the first quarter of fiscal 1991-92, but the Fund is expected to show leniency because of Egypt's genuine attempts to reduce its deficit.

An IMF team arrived in Cairo at the weekend to review progress in the first months of an economic reform programme concluded in May. The team will also monitor Egypt's progress with Fund-inspired reforms such as the introduction of a treasury bill auction system, sharp increases in interest rates and the floating of the Egyptian pound.

Egypt was set a budget deficit target for 1991-92 of 10.3 per cent of gross domestic product. The deficit for fiscal 1990-91 exceeded 20 per cent of GDP. This financial year's target had always seemed over-ambitious.

If, as seems certain, Egypt has breached its monetary targets the IMF board will be obliged to agree to a special waiver in order to preserve the May agreement. The IMF board will review Egypt's progress next month.

Fund officials, western aid donors and Egypt itself will not wish to see a repeat of the 1987 experience when an IMF standby agreement collapsed within weeks of being concluded.

One reason for Egypt's difficulties in reducing its budget deficit is lower-than-expected tax receipts, partly due to the recession.

The World Bank is also facing problems in its dealings with Egypt. Agreement on a $300m (£174m) structural adjustment loan has been delayed by last minute disagreements over cotton prices and the implementation of a public sector investment law aimed at liberalising Egypt's moribund state industries which account for 70 per cent of GDP.

World Bank officials and representatives of western aid donors are expressing dismay over executive guidelines issued with the new law. These appear to restrict divestiture purely to loss-making enterprises.

The restrictive guidelines for a newly-created Public Enterprise Office (PEO) almost certainly contradict the spirit of World Bank-proposed reforms, and are seen as the possible death-knell of a genuine liberalisation process.

US marines land in the Kuwait desert yesterday from Cobra helicopters. They are taking part in the first 'real target' exercise since a joint military agreement with Kuwait in September. Kuwaiti troops join the manoeuvres today

West 'unwilling to help Cambodia'

By Victor Mallet in Phnom Penh

AID workers in Cambodia yesterday expressed deep concern about the willingness of the outside world to provide the money and personnel needed to restore the country to normality after more than 20 years of bloodshed.

The United Nations is expected to spend at least $1bn on the implementation of a Cambodian peace plan – the UN's costliest mission – but aid organisations are worried both by the vague provisions of the peace accord and the inclusion of the extremist Khmer Rouge in an interim administration.

Such concerns are shared by Cambodians and foreign diplomats who have started to arrive in the country.

Mr Raoul Jenner, adviser to a group of 13 Catholic charities working in Cambodia, said it was vital that the US Congress and other bodies granted the UN the money required for the rehabilitation of Cambodia.

"The success of this operation will depend on this financial issue, and history gives us reasons to be a little bit sceptical," he said, recalling the strains placed on the UN by the crisis in the former Belgian Congo – now Zaire – 30 years ago.

He contrasted the eagerness of Britain and France to win lucrative mine-clearance contracts in Kuwait after the Gulf war and their reluctance to commit themselves to clearing mines in Cambodia, where an estimated 3m-4m mines have been laid and already 30,000 people have lost limbs.

Aid workers are also worried by the growing rift between the bustling capital Phnom Penh and the poverty of the countryside, a situation which reminds them of the era of the US-backed Lon Nol government toppled by Khmer Rouge guerrillas in 1975.

Phnom Penh is teeming with traders and black marketeers participating in a dollar-based cash economy, and one aid worker said yesterday that there were an estimated 100 dollar millionaires in the city. But in the coastal town of Kampot there has been no electricity for a fortnight, apparently because the local authorities cannot afford to buy diesel for the generators.

Some aid workers in Cambodia believe the Khmer Rouge may take advantage of dissatisfaction in the countryside to build support ahead of elections due in 1993, despite the killing of hundreds of thousands of Cambodians during their four-year reign of terror after 1975.

Iraq may ease confrontation with Kurds

By John Murray Brown in Ankara

A TENSE 10-day stand-off between the Iraqi military and Kurdish rebels appeared to have cooled yesterday amid reports that Baghdad was ready to lift its economic blockade of rebel-held areas in the north of the country.

The Iraqi move will come as welcome relief to western governments which had been concerned that Iraqi President Saddam Hussein's bid to obstruct United Nations relief efforts could have prompted another refugee exodus from north Iraq.

Diplomats believe both sides – Baghdad and the Kurds – are testing allied resolve at a critical time when allied governments have still to win Turkish approval to extend their air operations to protect the Kurds beyond the year end.

The new Turkish government of Mr Suleyman Demirel will face discreet allied persuasion, with the current protocol allowing allied aircraft to fly from Turkish bases due to expire on December 28.

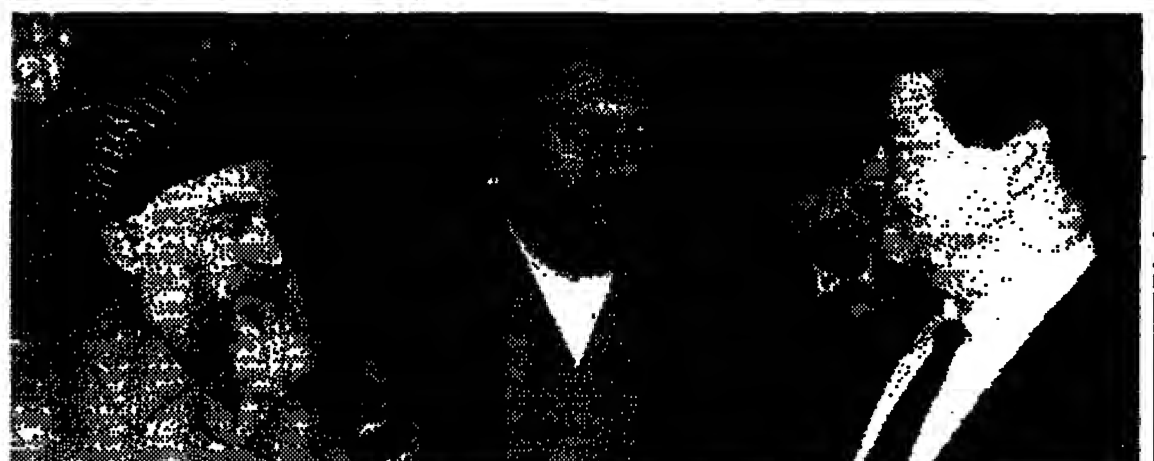
Prince Sadruddin Aga Khan, the United Nations special envoy is also due in Baghdad next week. The UN is under pressure to see its aid protocol with Baghdad extended beyond the year end. This is vital if thousands of Kurds camped near the Iranian border are to receive housing materials and basic foods to see them through the winter.

Without a UN presence few private relief agencies are expected to continue operations in north Iraq. Mrs Lynda Chalker, the UK aid minister, is expected to reiterate this worry when she meets the Prince in Geneva tomorrow.

Baghdad and the Kurds, meanwhile, are trying to revive a 1970 agreement to provide regional autonomy for north Iraq.

The month-long government embargo of fuel and food stuffs has put real limits on the Kurds' ability to administer the region – a reminder of how much the Kurds depend on Iraq for power and medical and other supplies.

The stand-off has also threatened UN efforts to ferry 2,000 truck-loads of housing material to the 350,000 Kurds living in makeshift shelters near the Iranian border. The fighting in Suleimaniyah in early October prompted up to 10,000 people to flee the city. There were renewed military exchanges this week – with fighting reported in Erbil on Monday. Under this week's agreement struck with Baghdad which comes into effect tomorrow, Iraqi troops would re-enter Erbil to take up winter quarters.



Bulhanoddin Rambani (left), the Afghan mujahideen foreign minister, shakes hands with Boris Pankin, the Soviet foreign minister, at a Moscow foreign ministry guest house yesterday

Afghan rebels in Moscow talks

By John Lloyd in Moscow

SOVIET and Russian ministers yesterday began negotiations with the leaders of Afghan mujahideen rebels for the first time since the Afghan war started 13 years ago, with the aim of ending the conflict between the rebels and the Najibullah government in Kabul.

The mujahideen, representing most of the anti-Najibullah groups which have been strongly backed by the west, are demanding the immediate resignation of the Soviet-backed Najibullah government and the creation of an Islamic state.

Mr Rahmatullah Mortazawi, leader of the Shia section of the opposition, based in Iran, said yesterday that if the negotiations could agree these objectives, and if the Soviet Union "admits and condemns the mistakes it made it will have another good neighbour after a Moslem state is established in Afghanistan".

The Soviet Union, which ended its military intervention in 1989 but has since still supported the Najibullah government, is moving away from unconditional backing. Mr Andrei Khozyrev, the Russian foreign minister who led the Russian delegation in the talks headed by Mr Boris Pankin, the Soviet foreign minister, has said support for Afghanistan should be scaled down.

At the same time, the growing assertiveness of the Moslem republics in and out of Russia means that the mujahideen have allies within the Soviet state itself.

Mr Najibullah has said he will negotiate, but refuses to concede the mujahideen demand that he cede power first. Contrary to internal Soviet forecasts, his regime and armed forces did not collapse after the Soviet withdrawal.

Kenyan minister 'forced into car by his killers'

A KENYAN foreign minister murdered 20 months ago after calling for a probe into high-level corruption was forced into a car by his killers after a struggle at his home, a British detective said yesterday, Reuter reports from Kisumu, Kenya.

Mr John Troon told a judicial inquiry that Mr Robert Ouko was lured out of his home by people who came in a white car, spotted by the former minister's housemaid.

Mr Troon told the inquiry he believed Mr Ouko was murdered because of his stand against corruption and differences with government colleagues during a trip to Washington in January 1990.

"Corruption in central government and personal vendetta was a motive for Ouko's murder," Mr Troon said. "After probing at least seven possible motives I zeroed on Ouko's clash with Minister Nicholas Biwott, the trip to the US and the anti-corruption probe," he added.

The name of Mr Biwott, transferred from energy to industry in a surprise reshuffle two weeks ago, has been mentioned several times at the inquiry in connection with corruption.

Troops fire on E Timor crowd

By Claire Bolderson in Jakarta

INDONESIAN troops opened fire on a crowd of several hundred at a cemetery in East Timor yesterday killing a number of people and wounding many others, sources in the territory said.

About 50 people were seen lying on the ground after the shooting at the Santa Cruz cemetery in Dili, East Timor's capital. The shooting followed a memorial Mass for a young man killed in a disturbance at a Dili church two weeks ago. The crowd then crossed the town to the dead man's grave.

Witnesses said some people shouted anti-Indonesian slogans and waved a flag of the Timorese resistance movement, Fretilin, but that the procession was peaceful and that the troops were not provoked into opening fire.

Among those injured were a New Zealander who was shot and Mr Alan Nairn, a journalist working for The New Yorker, who was badly beaten by soldiers.

Afterwards, sources in Dili said troops roamed the town shooting indiscriminately and arresting many people.

An official army statement said "several" people died and others were injured in a riot by anti-Indonesian demonstrators. It said the use of force by security officials was unavoidable.

The shooting was the most serious incident in East Timor for several years.

It followed increasing Indonesian military activity in the territory, a former Portuguese colony invaded by Indonesia in 1975 and later annexed by Jakarta.

The Portuguese government issued a statement in Lisbon calling on the world to denounce the incident in Dili.

"The Portuguese government condemns in the strongest way this new act of extreme brutality by the Indonesian armed forces against the unarmed civilian population," it said.

In Washington, the US State Department expressed regret over the violence in East Timor. Jakarta's rule is not internationally recognised and human rights organisations have criticised alleged abuses there.

Secret document accuses Bush of plotting to subvert Chinese communism

Beijing views US concern on human rights as 'garbage'

By Yvonne Preston in Beijing

CHINESE officials have privately circulated a secret document criticising Mr George Bush, the US president, and attacking attempts to pressure Beijing on human rights.

The document, dated October 25, was marked "secret ... guard with care" and was meant for officials only. Its content, however, was leaked to a western news agency.

The study dismisses US human rights policy as "garbage" and states that the aim of US foreign policy is to encourage the development of "internal forces of opposition". It traces what it describes as 40 years of attempts by the US to overthrow communism by "peaceful evolution", Beijing's code for an alleged western plot to undermine and subvert China's socialist system.

It backs its case for a western plot with a reference to former President Ronald Reagan's prediction that communism would be consigned to the scrapheap of history.

The document accuses President Bush of being determined to destroy China's communist leadership. On the surface his opinion is very different from the majority of congressmen, it asserts, but in reality they are using different means to the same ends and different roads to the same destination – "to destroy us".

The tone and content of the 15-page document contradicts China's public stand in favour of improved Sino-US relations. Officially the arrival in Beijing on Friday of Mr James Baker, the US secretary of state, has been welcomed as "an important event in US-China relations".

China's media reports cordial meetings yesterday between China's top leaders and Mr George Shultz and Mr Alexander Haig, the two former secretaries of state. Jiang Zemin, Communist party chief, and Li Peng, the prime minister, expressed China's appreciation at their efforts to improve and develop Sino-US relations during their tenures of office.

They said China attached great importance to Sino-US relations and hoped to see them restored and improved. Premier Li's remarks are given prominence yesterday on the front page of the party newspaper, The People's Daily.

Jiang described Mr Shultz as an old friend of China. Li told Mr Haig: "Two years ago, when China was in its most difficult period, you came to visit us and we had friendly talks. I will remember that forever."

The reference is to the suppression of the pro-democracy movement in 1989, which the document describes as "the rebellion". The document says: "After we quelled the rebellion the US and other western countries called the rioters 'fighters for democracy and freedom' and their violent actions 'a human rights movement'.

"This is ridiculous and absurd and reveals what kind of garbage their constantly repeated defence of 'human rights' really is."

Human rights is a key issue for Mr Baker who is under domestic pressure to take up the issue as the most senior US official to visit Beijing since the crushing of the democracy movement.

The study accuses the US of using economic pressure, the media, secret agents and military contacts to try to subvert communist rule. It says China can never relax its guard against western plots. "Our biggest mistake in the past few years had been to ignore the struggle against peaceful evolution amidst the noise of detente and friendship," it says.

WORLD TRADE NEWS

US, EC narrow gap in Uruguay Round

By Nancy Dunne in Washington

THE US and EC have narrowed their differences in the Uruguay Round over proposals to open markets to foreign goods, protect intellectual property rights, and negotiate trade rules for services, but have made no breakthrough in the key agriculture talks, Mrs Carla Hills, US trade representative, said yesterday.

From Seoul, Mrs Hills said talks at the weekend between President Bush, Mr Jacques Delors, EC Commission president, and other officials had left her "more optimistic than when I arrived at The Hague" that the round will be completed. On areas other than agriculture, the US and EC are "only a couple of issues apart in each category".

The two sides had not agreed on "numbers", the percentage cut each member will be required to make in its internal supports for farmers, its barriers to foreign farm imports and agricultural export subsidies. "There was no caving at all," she said, referring to reports that President Bush had agreed important concessions. "We are trying to find a position that we think reforms agriculture and will keep the developing nations at the table."

With the Gatt outlook still uncertain, the Bush administration was pushing ahead to its second trade goal: completing a North American Free Trade Agreement linking the US, Canada and Mexico. Mrs Hills denied reports of administration concern that the president's re-election could be jeopardised by fear of losing manufacturing jobs to Mexico.

"The content will drive the deadline. No deadline, not an election, not another deadline, will drive the content." Mr Bush had announced a policy of free trade, not only with Mexico and Canada, but the rest of the hemisphere. "If people don't want to do that, they will be less inclined to vote for him...If they think we are on the right track, they will vote for him."

Farm subsidy accord tantalisingly near

EC and US are talking tough for home consumption, writes David Gardner

GATT AGREEMENT on cutting farm subsidies, the problem on which the success of the five-year-old world trade talks under the General Agreement on Tariffs and Trade's Uruguay Round turns, is now tantalisingly near.

This is the feeling of those negotiating on the EC and US sides, even if they are guarding their "bottom lines", and shepherding their home constituencies by talking tough. Mr Ray MacSharry, EC agriculture commissioner, and Mr Ed Madigan, US agriculture secretary, resumed talks in Rome last night.

Their aim was to consolidate and extend progress at last Saturday's EC-US summit in The Hague, the most significant advance on the farm dossier since the Uruguay Round foundered on farm subsidies at the Gatt summit in Brussels last December. Mr MacSharry said after the meeting that progress had been made, and points identified which were of concern to both sides. The EC now feels a Gatt farm deal is really possible, unlocked by President Bush's intervention in last Saturday's talks.

"Bush has clearly taken the decision that he's going for a Gatt agreement," an EC official said. "There are a lot of loose ends, but they are not dangerous; the broad figures are there, and there is very little to be gained on either side from unravelling this."

The narrowing of the gap is appreciable. Last December, the EC offered, only after eight farm council meetings, to cut domestic subsidies by 30 per cent over 10 years, counting from 1986, to get credit for past price support cuts. The US, backed by the Cairns group of 14 farm exporters, wanted a 75 per cent cut in internal support and EC protection against imports, and a 90 per cent cut in export subsidies. The Europeans always called this unrealistic.

Since last December, Brussels has offered the most radical reform of the EC's Common Agricultural Policy (CAP) since its inception 30 years ago, and Mr MacSharry has won grudging acceptance of its broad thrust from the member states. This has given him room to negotiate. Now, two main differences must still be resolved:

● EC-US discussions centre on export subsidies – the US has throughout been mainly concerned with its share of the world market for cereals, and access to the EC for its oilseeds and cereals substitutes. Mr Madigan, prodded by President Bush, on Saturday suggested cuts in export refunds of either 30 per cent over five years, or 35 per cent over six years. The EC side feels this is possible.

The CAP reform proposes a 35 per cent cut in domestic cereals prices over three years, which would cut export restitutions – for the difference between the EC price and world market prices – by significantly more than that. For the EC to deliver within Gatt, it is vital the direct payments it wants to make to farmers as compensation for the cuts are judged not to be a trade distortion, and put in Gatt's "green box". "There seems to be an assumption (on the US side) that our payments will be 'green box'," a Commission official said yesterday.

Edward Madigan: denied that Bush had made specific concessions in The Hague on agriculture,

But for this, two key additional issues must gel. First, the US wants pledges that the volume of exports, and amount of subsidy, will be curbed. "We are now looking at a formula to combine elements of both," a Commission official said. Second, different base years, from which to calculate the cuts to be agreed, are being suggested. There is no longer much difference in terms of cuts the EC will have to make – the "credits" embodied in its original offer for 1986-95 have been almost wiped out by huge rises in the CAP budget. "We'll probably split the difference," a Commission official said.

● The EC wants pledges that its domestic cereals market will not be further eroded by cheap US feedstock substitutes, in exchange for taking up to 17m tonnes of grains a year off the world market. The US has taken the point that further erosion would force more European cereals out into the markets the US wants to recover, and that it is politically impossible for Brussels to persuade the Twelve to give up market share at home and abroad simultaneously, "to pay twice", a French official said.

The US is studying an EC suggestion to freeze cereal substitute imports at about their current level, "but the formulation is not yet bankable," a Brussels official stated. If these issues are agreed, the EC's Dutch presidency seems already to have won the assent of Bonn, Paris, London and Rome. Mr MacSharry will present these proposals informally next Monday.

If a deal is near, Mr Arthur Dunkel, Gatt secretary-general, will include it in his conclusions on the round by the end of this month. On December 9-10, the EC summit at Maastricht is expected to try to win a final all-round accord. On December 11-12, the EC farm council meets. A Gatt ministerial meeting will only be convened if the Round can formally be ended.

Poland 'to sign' EC association pact on Friday

By Christopher Bobinski in Warsaw

POLAND expects to initial an association treaty with the EC on Friday, Mr Andrzej Olechowski, the country's chief trade negotiator, said in Warsaw yesterday.

The Poles expect similar treaties will be initialled on the same day by the Czechs, who completed talks last week, and the Hungarians, who are talking in Brussels this week.

The Poles held their discussions last week but are still ironing out details "by phone", Mr Olechowski said. About half the value of Poland's foreign trade is now done with the EC, with Polish imports for the first nine months of this year, valued at Zl 47,261bn (£2.8bn), up 89 per cent, and exports worth Zl 53,017bn up 19 per cent on the same period last year.

The treaties, to come into force on January 1 1992, constitute an agreement with the EC liberalising trade, with hoped-for membership by the three countries next century.

In Poland's case, the accord foresees the gradual phasing-out of customs barriers on trade in industrial goods over the next seven years. By that time, Poland will also be implementing EC anti-monopoly standards and rules on subsidies to industry.

In textiles, of which last year Poland exported Ecu593m (£417m)-worth to the EC, Brussels has agreed to phase out customs barriers by 1998, with talks on removing import quotas to be held next year.

In steel, EC tariff barriers are to be reduced by 1997 with import quotas removed next year.

Overall, in the industrial-goods sector, Poland will next year remove customs duties on goods making up 27 per cent of its imports from the EC, and Brussels scrap dues on 64 per cent of the value of its imports.

The treaty leaves removal of farm-trade barriers to further talks. But Poland has won cuts in customs dues on over half the value of last year's food exports, while it is to cut tariffs by 10 per cent on products not produced there.

US group wins top role in $7bn Japanese project

By Nancy Dunne in Washington

BROWN & ROOT, the US international engineering company, has been named prime contractor for a $7bn (£4bn) resort development project near Nagoya, Japan.

The project, for Sanpo Land Industrial Company, is a premier resort on 3,700 acres in the Upper Ise Bay. It will include a yacht harbour, two championship golf courses, hotels, entertainment facilities, and a private airport.

According to Brown & Root, it is the first large Japanese project in which an American company has been named prime contractor.

Although this is a privately-developed project, news of the contract was greeted warmly on Capitol Hill. The failure of US companies to gain equal access to Japan's public works market has been a constant irritant in US-Japan relations.

"Anytime a US firm can get that kind of contract in the Japanese market, then something is going right," said an aide to Senator Frank Murkowski, the Alaska Republican who has led the fight to break into the public sector market.

In the first phase of the project, Brown & Root will prepare a feasibility study, assist Sanpo in the land reclamation process and help package the financing. Sanpo is owned by Mr Yonezo Ozaki, a real estate developer, who was to arrive in Washington yesterday to announce the project at a reception tomorrow. He will also manage the resort.

FTA could 'undermine credibility of Gatt system'

COMPATIBILITY of the US-Canadian Free Trade Agreement (FTA) with Gatt, which governs world trade, is described as "questionable" in a report to the Gatt council yesterday, William Dullforce reports from Geneva.

The US and Canada see the pact, in force in January 1989, as a model of trade liberalisation. It set up the world's most comprehensive bilateral free-trade area, covering trade in goods of $174bn (£101bn) in 1990, with trade in services taking this to over $200bn.

But a Gatt working party says the precedence the US and Canada could accord to FTA provisions over Gatt's "has the potential of undermining" the Gatt system's credibility". Many countries worry at the implications which FTA provisions for settling US-Canadian trade disputes could have for Gatt's dispute settlement system, the working party found. The US and Canada had not made clear that third-party interests would not be compromised under FTA procedures; one case had shown FTA provisions could delay implementing Gatt dispute panel findings.

Unable to agree about the FTA's consistency with Gatt, the working party merely listed members' views, recommending the US and Canada be asked to report regularly on how their pact worked, starting in 1993. Gatt allows free trade areas if they meet two conditions: first, barriers to external trade be no more restrictive than before. This aims to prevent "trade diversion", the switching of trade from competitive external suppliers to producers in the area itself.

The US and Canada claimed their trade with third parties had grown in the past two years. Some working-party members thought the statistics too limited to show this. Second, Gatt rules duties and other curbs be scrapped on "substantially all" trade between members of the area. The US-Canada FTA is comprehensive in coverage, but some Gatt members queried curbs on US-Canadian trade in products including fresh fruit, and grain import permit rules.

BCCI: BEHIND CLOSED DOORS

'Bank of Crooks and Cocaine International'

PART FOUR

BCCI's conventional sources of cash were drying up. So it turned to men such as General Noriega and Colombia's Medellin cocaine cartel, who had a plentiful supply of spare money from drug dealing

In the lawless strip of land between Pakistan and Afghanistan Pathan tribesmen do a brisk trade: drugs for guns, cash for both, most currencies accepted.

It was from here that the Central Intelligence Agency waged a nine-year secret war to topple Moscow's puppet government in Kabul.

The stakes were high: Afghanistan itself, the stability of Pakistan but, above all, US pride and billions of dollars for the war sanctioned by the White House.

The CIA needed a secure channel to protect its investment and to finance the everyday needs of the rebel army. It needed BCCI.

Throughout the Soviet occupation from 1979, lethal caravans burdened with US military hardware snaked across the dozens of tracks which criss-cross the soaring mountains of the North-West Frontier.

Despatched by sections of Pakistan's Inter-Services Intelligence, under the protective gaze of CIA agents, the caravans were the lifeblood of the resistance.

A telex dated January 23 1987, which went from BCCI Pakistan to Panama, reads:

"HV A FIRM ENQUIRY FOR 1000 MULES YES MULES. WE INSPECTORATE R CONTRACTORS FOR A US AID PROJECT IN PAKISTAN FOR THE AFGHAN MUJAHIDEEN. THESE MULES ARE NEEDED FOR TRANSPORTATION IN THE MOUNTAINS. PLS EITHER RECOMMEND A PARTY FM S. AMERICA OR GIVE US NAMES N TLX NO OF PARTIES WHO MAYBE INTERESTED. IF QUOTING PLS QT CNF AIR N SEA KARACHI. RUSH REPLY ASAP."

BCCI's world-wide network and no-questions-asked approach made it the natural choice for clients who had something to hide.

Its founder, Agha Hasan Abedi, thrived on conspiracy. Not surprisingly, his bank attracted conspirators. The bank's customer list reads like a cloak-and-dagger Who's Who: Oliver North, the man at the centre of the Iran-Contra affair; Manuel Noriega, the deposed Panamanian dictator; Abu Nidal, the notorious Palestinian terrorist; Gerardo "Don Chepe" Moncada, a leader of Colombia's Medellin cocaine cartel.

In Washington, Jonathan Winer, an aide to Senator John Kerry who is investigating BCCI, sits in a cubicle in his Senate office, surrounded by thousands of BCCI documents.

Winer stares at his cartons of papers. "Whenever there is a criminal activity, we in the US are always looking for a smoking gun. In the case of BCCI there seems to be a smoking arsenal.

"BCCI's approach was really 'Let's make a deal'. Anybody who wanted to do business with BCCI could do so."

How all this affected the majority of the bank's staff is hard to judge. Most of them were honest, oblivious to the bank's darker side.

They were propelled from modest Asian origins into a world of high salaries and chauffeur-driven cars, trained to be cautious bankers only to be exhorted by their charismatic leader to change the world. One official of the Indian central bank left a job where he was paid the equivalent of £250 a year for a post at BCCI where he received £60,000.

This combination of a corrupt culture with traditional banking prudence is captured in a campaign contribution to a Venezuelan politician in 1988: he would only get it if he was elected.

As the grey area around BCCI sloped away, the moral incline became rapidly steeper. Yet BCCI's more unsavoury activities never seemed to bother Abedi.

Once, when a colleague expressed concern about the source of some of BCCI's funds, he had a ready answer: "Don't worry. Once this money crosses our threshold, it becomes God's money."

In 1985, Pakistan's security services, which also had close links with the bank, were so concerned that BCCI was being bugged by other intelligence services that they had the Leadenhall Street head office in London swept for eavesdropping devices.

The CIA began compiling intelligence reports on BCCI in 1983, when it claims it made the bank "a target". The first CIA report on BCCI's terrorist links was prepared in 1986. BCCI's narcotics connection, according to CIA documents, was first reported on in 1984.

Ghassem Qassem, the former manager of the Sloane Street branch in London, who handled the Abu Nidal account, told the FT how he liaised with British intelligence. Wringing his hands with worry after losing his job, Qassem, one of the few Arabs in managerial positions at BCCI, explained how he had regular meetings to pass on information. "They have deserted me now," he said. "I helped them for years and now I have nothing".

Yet none of these activities prompted regulators in the UK or the US to move against BCCI. The Bank of England is privileged to weekly reports from the government's Joint Intelligence Committee. The CIA is part of a similar flow of information which, theoretically, reaches the White House and the US Treasury.

The Bank of England now says that it was only told about the Abu Nidal account in 1990 – a year before the shutdown – by BCCI itself, which had only just discovered its existence and promised to conduct an investigation. This explanation appears to have satisfied the regulators.

At his recent US Senate hearings, Senator Kerry sat forward and stared the 20 feet across to the witness table, at Richard Kerr, acting CIA director. "The fact that you were generating reports on narcotics, illegal arms deals and terrorism didn't ring any alarm bells for you? Didn't it occur to you to stop using BCCI for the CIA?" the senator asked. Kerr's reply was less than illuminating.

The reasons for the lack of action in the US are still unclear. Perhaps the CIA did not feel it was its business to pass on suspicions to the regulators. Perhaps it hoped to keep tabs on whatever BCCI was up to. Perhaps there was an element of mutual dependence. Kamal Adham, for example, former head of Saudi intelligence, allegedly acted as one of BCCI's frontmen. To have such a man linked to a bank whose customers included some of the world's most wanted men might have come in useful.

Adham was among a group of Middle East investors and political power brokers whose stealthy foray into US banking acquisitions, allegedly on BCCI's behalf, included stakes in several American banks.

Turkish-born Adham, half-brother of Iffat, King Faisal's favourite wife, is perhaps the most enigmatic figure in the BCCI affair. He was one of the most powerful figures in the Middle East, with close ties to the CIA which had trained him at its headquarters in Langley, Virginia.

A number of former bank officers believe the CIA may have been the original catalyst that formed a successful bond between Adham and Abedi. The exact relationship between Abedi and the CIA remains uncertain, although the late prime minister of Pakistan, Zulfiqar Ali Bhutto, seemed in no doubt. According to more than one account he publicly accused Abedi of working for the CIA.

The CIA categorically denies any relationship with Abedi or with any other BCCI "official" or "employee". But it has belatedly admitted to using the bank for the transfer of funds to covert operatives at the same time that it was supposedly investigating the bank.

The bank also exploited a lucrative relationship with another CIA alumnus, General Manuel Noriega, who now faces charges in the US for laundering drug money.

BCCI took great pains to nurture its Panamanian connection. When it opened a branch in Panama City in 1980, it threw a reception in a flower-decked hall large enough for a band at both ends. The dark-suited BCCI executives recoiled in horror when the local women invited them on to the dance floor. "You can't do that," the girls were told. "These men don't even touch their wives."

Deposits were the oxygen which enabled the BCCI organism to grow. Conventional money markets, where banks lend money to each other, were already being closed off to BCCI because of its dubious reputation. Men like Noriega and BCCI's Colombian customers, on the other hand, had a plentiful supply of spare cash from drug dealing. And they needed a safe haven for it.

The key to Panama's vast illicit funds was Noriega, and BCCI won him over with a lavish shopping trip and dinner in London in 1980.

Amjad Awan, BCCI's Panama branch manager, whose father had been head of Pakistan's secret police, became Noriega's personal banker, channelling the general's profits to his accounts at BCCI's Sloane Street branch in London. Awan accompanied Noriega on many of his trips, and on one occasion organised a Las Vegas binge lasting several days.

BCCI's insatiable pursuit of cash stretched across the five continents. For a while, Nigeria satisfied the appetite, then Egypt and even communist China, which may have lost up to $450m when BCCI closed, according to US investigators.

The Asian communities expelled from East Africa provided another fast-growing market as they resettled in the UK in the 1970s. But more was required.

There was also a practical explanation for BCCI's attraction to "funny money". BCCI was one of the few banks which had the facilities to transmit large amounts of private cash from Panama to Switzerland, for example, or from the US to Pakistan.

By the early 1980s, BCCI had turned its attention to Latin American market, and in particular, to drug money. In 1984, Swaleh Naqvi, the then chief executive, visited Colombia to explore the possibilities. His mission culminated in the acquisition of a Colombian bank, Banco Mercantil.

This was a strange place to buy a bank, and it required special dispensation from Colombian president Belisario Betancourt. Some BCCI executives who feared the impact that news of the purchase would have on BCCI's image were personally overruled by Abedi.

One of BCCI's prize catches in Colombia was Pablo Escobar, the biggest drug baron of them all, who kept his accounts in the Cannon Street branch of BCCI just inside the precincts of the City of London.

Daniel Gonzalez, the deputy manager of BCCI in Panama between 1980 and 1986, describes avalanches of money being deposited with BCCI by drug barons such as Escobar.

Gonzalez once attended a party at Noriega's beach house where Panamanian army officers and BCCI clients swam naked with prostitutes in the general's pool. BCCI's clients were nothing if not exotic. Escobar's palatial hacienda outside Medellin housed an exotic zoo which included two black cockatoos, valued at $14,000 each, and a kangaroo that played soccer.

According to a recent indictment by a Florida Grand Jury, BCCI laundered millions of dollars from the Medellin cocaine cartel over the three years that followed. The bank supplied other services to the drug barons. On one occasion, BCCI provided references to a group of Israeli arms dealers, working out of the Caribbean island of Antigua, which wanted to sell machine guns to the cartel.

Inevitably, however, BCCI's luck began to run out. Early in 1986, US customs agents infiltrated one of the world's largest drug smuggling operations. They had been on the trail of Gerardo Moncada, one of Medellin's godfathers whose responsibilities included supervising and directing the distribution of cocaine into North America.

They never caught Moncada. Instead they netted BCCI, a fish they hadn't even realised existed. It took months of investigations by undercover agent Robert Mazur to discover the scope and sophistication of the laundering operation provided by the bank.

The bank's system of providing untraceable back-to-back loans did not just launder money – it gave a full rinse and spin, throwing out sparkling new dollars in the country of your choice.

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TO: MR. AKBAR BILGRAMI          MSG 20 DTD 23. 1. 87
FM: MR. JAWED RIZVI

HV A FIRM ENQUIRY FOR 1000 MULES YES MULES...

B/RGDS.
J. RIZVI                ...FOR THE AFGHAN MUJAHIDEEN
264862 BCC LAR
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In a belated acknowledgement of his role in the scheme, the Tampa authorities said Moncada, also known as "Don Chepe", "Kiko" and "Arturo", was responsible for placing millions of dollars of cocaine profits in the worldwide banking system. He was charged with racketeering and money laundering in early September 1991 in a scheme which is also alleged to have involved Swaleh Naqvi.

Operation C-Chase, which tracked Moncada's activities, culminated in October 1988 with an elaborate "sting" organised around a fake wedding.

The bankers were in the mood for a stag party when they were taken to a downtown Tampa buiding. They had been promised a swinging time.

The bankers stepped into the lift expecting to be whisked to the penthouse suite. Instead, it stopped on the seventh floor where the guests were greated by smiling customs officers with handcuffs. "Welcome to Tampa," said one of the officers. "You're under arrest". The betrothed couple were undercover agents.

According to the indictment, one of BCCI's general managers was also invited. But, in a move typical of BCCI's double standards, Naqvi forbade him to go "because BCCI staff should not associate themselves too conspicuously with these sorts of accounts."

Nonetheless, nine of BCCI's US employees and two of the bank's subsidiaries were charged with laundering $14m. Naqvi personally decided not to contest the charges – a decision which shocked many of the bank's staff elsewhere in the world who had been oblivious to BCCI's darker side.

The outcome of the laundering trial caused a furore in the US, where the fine was denounced in Congress as "a rap on the knuckles". It was less than half the fine that had been levelled on the bank by Kenya a year earlier for breaches in foreign exchange regulations over coffee exports.

Indeed, the US authorities had missed another big fish. Even as the sting was moving towards its climax, BCCI was going that extra mile for its prize depositor, Manuel Noriega.

Some months earlier, in February 1988, Noriega had been charged in the US with drug trafficking, which raised questions in his mind about the safety of the $23m he had on deposit with BCCI in London.

On August 1, a worried Noriega rang BCCI to discuss shifting his money out of the bank altogether. But to where?

Syed Raziuddin Ali Akbar, the man responsible for the treasury disaster in 1985 (see Tuesday's paper), had told BCCI that accounts with Capcom, a broking company of which he was a shareholder and a director, could be made available for drug money. This seemed a practical solution. Noriega's millions were laundered through three other banks into a Capcom account in New York – whence they later vanished.

The choice of Akbar's Capcom to handle this manoeuvre, as alleged in the Tampa indictments, is strange in light of the grief which Akbar had earlier caused BCCI. But this reinforces the suspicion that there was more to the relationship between BCCI and Capcom than has so far become apparent. Akbar was later convicted of money laundering in the UK, and last September he was charged in the US with fresh money laundering offences, along with Naqvi, Capcom and two others.

For years BCCI and their criminal activites managed to stay one jump ahead of the regulators and when they did find out they chose not to act.

In 1990, following the Tampa case, the Bank of England ordered a report on BCCI's controls against money laundering in the UK. This concluded that these were no worse than those of any other bank. The Bank wanted a reason to push BCCI out of the UK altogether; to its annoyance, the report on laundering controls did not provide it.

At the time, this was taken to be an indication of BCCI's cunning ability to keep its more shady activities away from strongly regulated centres. But subsequent evidence suggests that the key decisions were being taken in London all the time. Furthermore, the Bank says it only learnt in March 1990 that BCCI was running accounts for terrorists, nine years after the Abu Nidal gang opened their account in Mayfair. By then, BCCI was so close to collapse that its criminal connections seemed almost irrelevant.

A month later the Bank and other regulators approved a bail-out for BCCI by Abu Dhabi.

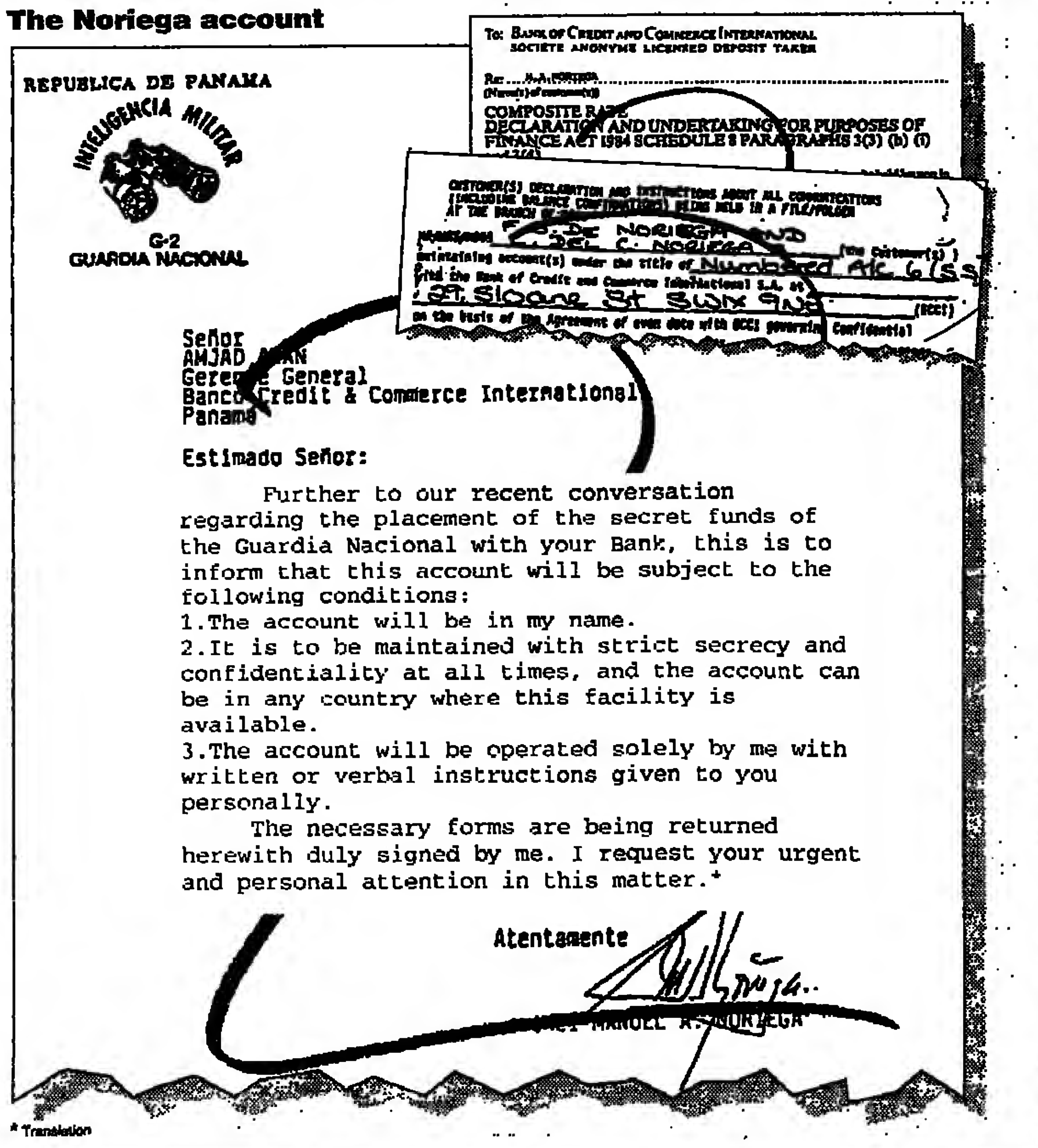
■ Tomorrow: 'At the court of the sheikh'

General Noriega's binge in Las Vegas lasted several days

BEHIND CLOSED DOORS

■ Written by Richard Donkin, with contributions from: Alan Friedman, David Lascelles, Christina Lamb, Richard Waters, Richard Tomkins, Bernard Simon, Chris Tighe, Jimmy Burns, James Buxton and Stephen Fidler

The Noriega account



To: BANK OF CREDIT AND COMMERCE INTERNATIONAL SOCIETE ANONYME LICENSED DEPOSIT TAKER

COMPOSITE RATE DECLARATION AND UNDERTAKING FOR PURPOSES OF FINANCE ACT 1984 SCHEDULE 8 PARAGRAPHS 3(3) (b) (i)

CUSTOMER(S) DECLARATION AND INSTRUCTIONS ABOUT ALL COMMUNICATIONS (INCLUDING BALANCE CONFIRMATIONS) BEING HELD IN A FILE/FOLDER AT THE BRANCH OF

... DE NORIEGA AND ... DEL C. NORIEGA (the Customer(s))

maintaining account(s) under the title of Numbered A/C ...

with the Bank of Credit and Commerce International S.A. at ... Sloane St SW1X 9... (BCCI)

on the basis of the Agreement of even date with BCCI governing Confidential

REPUBLICA DE PANAMA

INTELIGENCIA MILITAR

G-2 GUARDIA NACIONAL

Señor
AMJAD AWAN
Gerente General
Banco Credit & Commerce International
Panama

Estimado Señor:

Further to our recent conversation regarding the placement of the secret funds of the Guardia Nacional with your Bank, this is to inform that this account will be subject to the following conditions:

1.The account will be in my name.

2.It is to be maintained with strict secrecy and confidentiality at all times, and the account can be in any country where this facility is available.

3.The account will be operated solely by me with written or verbal instructions given to you personally.

The necessary forms are being returned herewith duly signed by me. I request your urgent and personal attention in this matter.*

Atentamente

MANUEL A. NORIEGA

* Translation

UK NEWS

ELECTRICITY PRICING

Generators say industry under-charged for power

By Juliet Sychrava

NATIONAL Power and PowerGen, Britain's recently privatised power generators, yesterday fuelled the row over wholesale electricity prices when they claimed that prices to industrial users were too low rather than too high.

Some large users including Imperal Chemical Industries have complained to the government that prices in the wholesale electricity market – the pool – are too high and put them at a disadvantage to their European competitors.

The generators' shares fell between 3 and 4 per cent on Monday, following reports that the large users had called for the two generators to be referred to the Monopolies and Mergers Commission (MMC) for artificially inflating prices.

But the generators claimed yesterday that pool prices should rise by another 40 per cent in order for them to make a profit from that business.

Far from reaping windfall profits, they had only been able to make money by contracting most of their power outside the pool. They had nothing to fear from an MMC investigation, they said.

National Power said this year's average pool price of 2.1p per kilowatt hour (kWh), compared with 1.9p last year, was so low it was unable to cover costs at about half its power station capacity.

"We had an operating profit of £427m last year, which was thoroughly appropriate for a company of our size," said Mr Colin Webster, National Power's commercial director.

PowerGen said it would not have a single profitable power station if it only sold power in the wholesale market.

The generators said prices to very large users had risen in 1991 after the government dropped its substantial subsidies to these customers. Smaller industrial customers had experienced cuts of 15 to 20 per cent.

"If prices in Europe are lower, that is because they are subsidised," Mr Webster said.

Large customers should not have gambled on pool prices staying at last year's level. "No one in charge of an important company fuel bill should speculate on the continuation of obviously very low fuel prices," Mr Webster said.

Pool prices should be at least 3p per kWh, and probably 3.5p, the generators said.

ICI was aware of the economics of generation, the generators said, since it was building a new gas-fired power station on Teesside. At present pool prices, this and other new gas-fired power stations would be unable to recover their costs, the generators said.

Mr John Topliss, chairman of the electricity group for the Major Energy Users Council, said yesterday that an increase in the pool price to 3p would be 'horrific'. "Our European competitors already pay around 0.5p less than us." His members did not believe the generators needed to raise the price to 3p to cover costs, he said.

Lex, Page 16

Former finance chief arrested

By Kevin Done, Motor Industry Correspondent

MR Frank Shannon, a former finance director and company secretary of Nissan UK (NUK), the embattled British distributor of Nissan vehicles, was arrested yesterday and charged with conspiracy to cheat the Inland Revenue.

The arrest follows a dawn raid mounted by the Inland Revenue against NUK in June, and comes after the arrest in October of two of the company's senior financial advisers.

Mr Shannon, finance director of NUK until late 1986 and a founding shareholder of the company, was arrested in Portsmouth, south England, as he arrived on a cross-channel ferry.

He was charged and appeared at a magistrates court in Worthing, also on the south coast, where he was released on £100,000 bail and on condition that he resided at his Brighton home and surrendered his two passports.

Police assisting the Inland Revenue sought to arrest Mr Shannon, a former director of Brighton and Hove Albion football club, in October along with the two NUK financial advisers, but discovered that he was in the US.

In October Mr Brian Laventure, a partner in the Portsmouth office of Grant Thornton, a personal and corporate tax adviser to NUK, and Mr Gerald Compton, a partner in Kidsons Impey, the NUK auditor, were arrested and also charged with conspiracy to cheat the Inland Revenue. All three are to appear again in court in Worthing on January 15.

They face the same charges of conspiring to cheat the Inland Revenue by filing false stock relief claims for Datsun UK, the former name of Nissan UK, for the accounting periods ended 31 July 1980 and the year ended July 31, 1981 amounting to £9m and £5.5m.

The charges claim specifically that the three men conspired between March 19, 1980 and July 14, 1984 at Worthing and elsewhere:

- to bring forward the accounting date for Datsun UK from December 31, 1980 to July 31, 1980, "falsely representing" that the change had been done for commercial reasons unconnected to any tax liability, whereas "the sole or main benefit" of the change had been to increase Datsun's claim to stock relief,";
- and had caused the Inland Revenue to allow Datsun UK false stock relief claims for the two periods of around £9m and £5.5m respectively.

The Inland Revenue said last night that it did not expect to make any further arrests in relation to the stock relief claims. This was only one part of the investigation, however, which was continuing.

Tories 'poach' Labour plans

Rachel Johnson encounters a new consensus in UK spending plans

IN the aftermath of last week's Autumn Statement setting public spending levels, the UK government stands charged – for the second time in just over a year – with serious theft of the Labour party's policy.

The first time was October last year, when it put sterling into the European exchange rate mechanism (ERM). Now the government has again been accused of poaching opposition policy with its plans to enlarge the public sector.

Behind the accusation lies the new "planning total" – spending for which government is responsible – announced in last week's Autumn Statement. This has been set at £226.6bn for 1992-93, a rise of £5.6bn over the figure forecast in the March budget, in spite of an extra £2.5bn in proceeds from the privatisation of government assets.

Tory plans to increase government spending by more than 3 per cent a year up to 1995 have, meanwhile, prompted economists to reconsider their concerns at the prospect of a government formed by Labour.

As Mr John Smith, Labour's principal finance spokesman, has pledged his commitment to the ERM and his anti-inflationary zeal, Labour is no longer the party of devaluation. But with pledges to increase pensions and child benefit and a "wish-list" of spending proposals still officially uncosted, the Labour party could – before the Autumn Statement at least – be called the party of high spending.

With the Tories apparently challenging Labour for the title, one of the last remaining policy barriers between them has gone.

"The two parties can hardly get any closer in macroeconomic terms," says Mr David Walton, economist at Goldman Sachs, the US-owned investment bank. This is because Mr Norman Lamont, chancellor of the exchequer, has done what Labour has implied it would do all along: allocating a big slice of the growth dividend for extra public sector spending, leaving little room for a reduction in borrowing, and even less for tax cuts.

One of the few options Mr Lamont has left to differentiate his policy from Labour's would be cutting taxes before the election. At the weekend, he said he could cut taxes even though the government was deep in debt, and his objective was to bring the basic rate of tax down to 20 pence. But this option is looking distant, as cutting income tax by a penny is thought to add another £2bn to an already-burgeoning Public Sector Borrowing Rate (PSBR).

More reassuring to the markets was the chancellor's intention to balance the budget over the cycle – reduce the borrowing requirement as the economy returned to growth. As on tax cuts, the Labour party has made no such pledge.

As a result, "it's doubtful whether a Labour chancellor would have got away with increasing the public sector borrowing requirement in 1992-93 to £19bn", says Mr Neil Mackinnon, of Yamaichi, the Japanese bank.

Labour's attitude to privatisation could mean problems in the pipeline. In the Autumn Statement, Mr Lamont stepped-up asset sales to £8bn in 1991-92 and 1992-93, with £5½bn in the following two years. Without these privatisation proceeds, future PSBRs would have be substantially higher.

Under its current policy, Labour would not have access to all these extra billions. Mr David Ward, Mr Smith's adviser, says that if Labour formed a government in 1992, it would not stop privatisations already planned. But the party is not likely to initiate further privatisations.

Economists therefore assume that Labour would have to find "replacement finance" of up to £10bn over the next three years to make good the privatisation proceeds which keep down planned spending until 1994-95. While this would reduce funding pressures from the equity market, the prospect is likely to depress prices in the gilts market.

So in spite of the Tories' programme of higher public spending for the next few years, the gilts markets will still get jittery at the prospect of a Labour election victory.

"International investors still think the Tories will spend *less* than the Labour party, and are understanding about a little extra spending before an election, says Mr Tom Berger, director of Lombard Odier, the Swiss-owned investment management service. "Would I be holding so many sterling bonds if I thought otherwise?"

Marking time: John Smith is committed to the ERM

Price cuts point to slowdown in inflation

By Rachel Johnson and Jim McCallum

UK core inflation is rising at its lowest annual rate since early 1987, official figures showed yesterday, as weak demand forces manufacturers into further price-cutting to stay competitive.

The government welcomed the clear evidence of the speed and extent to which the economic downturn was squeezing inflation from manufacturing industry. In the markets, the figures raised hopes of an interest rate cut, and further undermined the pound – forcing the Bank of England to intervene in the currency markets at just below DM2.90.

Excluding food, drink and tobacco – where prices were lifted by the over-indexation of excise duties in the budget – manufacturing output prices increased 0.2 per cent last month and were 4.2 per cent higher than October 1990.

This rate, the lowest for over four years, puts this measure within sight of the government's Autumn Statement forecast of a 3.5 per cent rise in the year to the fourth quarter of 1992. This would be the lowest rate since 1969.

In September this measure – regarded as the best measure of underlying inflation by the Treasury – rose by 4.7 per cent from last year's level.

In the House of Commons, Mr John Major told MPs that the statistics "indicate the continuing collapse of inflation and that can only help industries' competitiveness".

The output price index including food, drink and tobacco rose by 5.2 per cent in the year to October, the lowest since January 1990. This rate of inflation has also come down sharply. It rose by 5.6 per cent in the year to September, and by 6.3 per cent in the year to March, according to the unadjusted figures from the Central Statistical Office.

The Treasury predicted that the falls in core inflation would feed through into further falls in underlying retail price inflation (RPI) in the coming months. The October RPI, released on Friday, is expected to drop to a year-on-year rate of 3.5 per cent.

UK NEWS

Esso tanker drivers get individual contracts

By Michael Smith, Labour Correspondent

PETROL TANKER drivers at Esso have accepted individual contracts which will take annual earnings for many of them past £30,000 for the first time - exceeding that of virtually all UK manual workers.

The agreement marks the end of collective bargaining for the 260 drivers, according to Esso: previously their pay has been negotiated by the TGWU general workers' union.

Drivers will have staff status and the deal takes maximum earnings for a typical 45-hour week to £32,453.

It also compares favourably with similar workers at comparable companies. British Petroleum (BP) said yesterday that its drivers earn a maximum of £27,000 a year, including overtime, although a new deal is under negotiation.

Esso said the drivers' pay recognised increased flexibility and responsibility. Drivers were expected to handle computer-based technology when loading and discharging deliveries. "The role of the job has changed and is changing," Esso said. "It is no longer a manual job."

International teams seek radio deal

By David White, Defence Correspondent

INTERNATIONAL TEAMS are lining up for a £1bn UK combat radio project which is expected to be the biggest military communications deal in prospect between now and the end of the century.

Siemens of Germany, through its UK offshoot Siemens Plessey Defence Systems, and Racal Electronics yesterday announced the launching of a joint bid for the contract, known as Bowman, for which all main Nato suppliers of military radio have been invited to compete.

Racal, which is the object of a hostile takeover attempt by Williams Holdings, has opted to act as sub-contractor in the bid although it will have an equal share with Siemens Plessey.

The link-up between the two companies, traditionally fierce rivals, follows an alliance between GEC-Marconi and the French state-owned contractor Thomson-CSF.

The two groupings are expected to be the front-runners in the competition alongside ITT of the US, supplier of the American forces' Singcars radio system.

The Ministry of Defence (MoD), however, has also invited bids from SEL of Germany, part of the French-controlled Alcatel group, as well as from the military aircraft division of British Aerospace, which has very limited experience in radios but is expected to link up with a US supplier.

Bids are due to be in by next February, and two groups are expected to be selected in 1993 for a "demonstration" phase, which would be partly MoD-funded.

The MoD has insisted on using "off-the shelf" technology in order to save on the costs of funding development. However, Siemens and Plessey said yesterday that a whole new range of radios would be required.

The system, which will include ultra high frequency ground-to-air radios, is required to replace current Clansman equipment, in operation since the late 1970s. It involves greatly increased capacity for transmitting data at the same time as voice communications. All transmissions will be encrypted, with added protection against jamming.

A production order, expected eventually to involve up to 60,000 radio sets, is not expected until the late 1990s.

Labour pledge on Tecs may anger unions

By John Gapper

THE opposition Labour Party has pledged for the first time that employers will retain majority control of the government's Training and Enterprise Councils (Tecs) under a future Labour government.

Mr Tony Blair, Labour's employment spokesman, has written to the chairmen of the 82 Tecs in England and Wales – on which private sector employers are guaranteed two thirds control – to reassure them that unions will not be allowed joint control.

This is likely to cause controversy among some trade unions.

There has been no formal claim for equal representation on Tec boards from the Trades Union Congress. However, there has been some anger about the lack of union representation on the boards.

Some left-wing unions want to be given joint control. The Scottish Trades Union Congress this year threatened to start boycotting the Scottish equivalent of Tecs if unions were not given greater representation on their boards within a year.

Mr Blair's move comes after extended consultation with Tecs over Labour's training policy, which includes preventing companies from employing 16 to 19-year-olds without providing training and a statutory levy on companies which do not train adults.

In a letter responding to a set of questions posed by the Tecs Mr Blair says he is "anxious to avoid some notion that there must be so many of this category and so many of that". He says, however, that particularly because Labour intends to place legal compulsion of employers to carry out training, he accepts that local employers should retain majority control.

He does not promise the two thirds membership of current boards. He says that if a Tec was refusing to accept union membership in a case where a union was willing and anxious to participate by putting forward a senior official then he would intervene if necessary.

Mr Blair says Labour has taken no decision on the composition of Skills UK, the national training body which Labour expects to set national training policy.

Edinburgh exceeds EC pollution levels

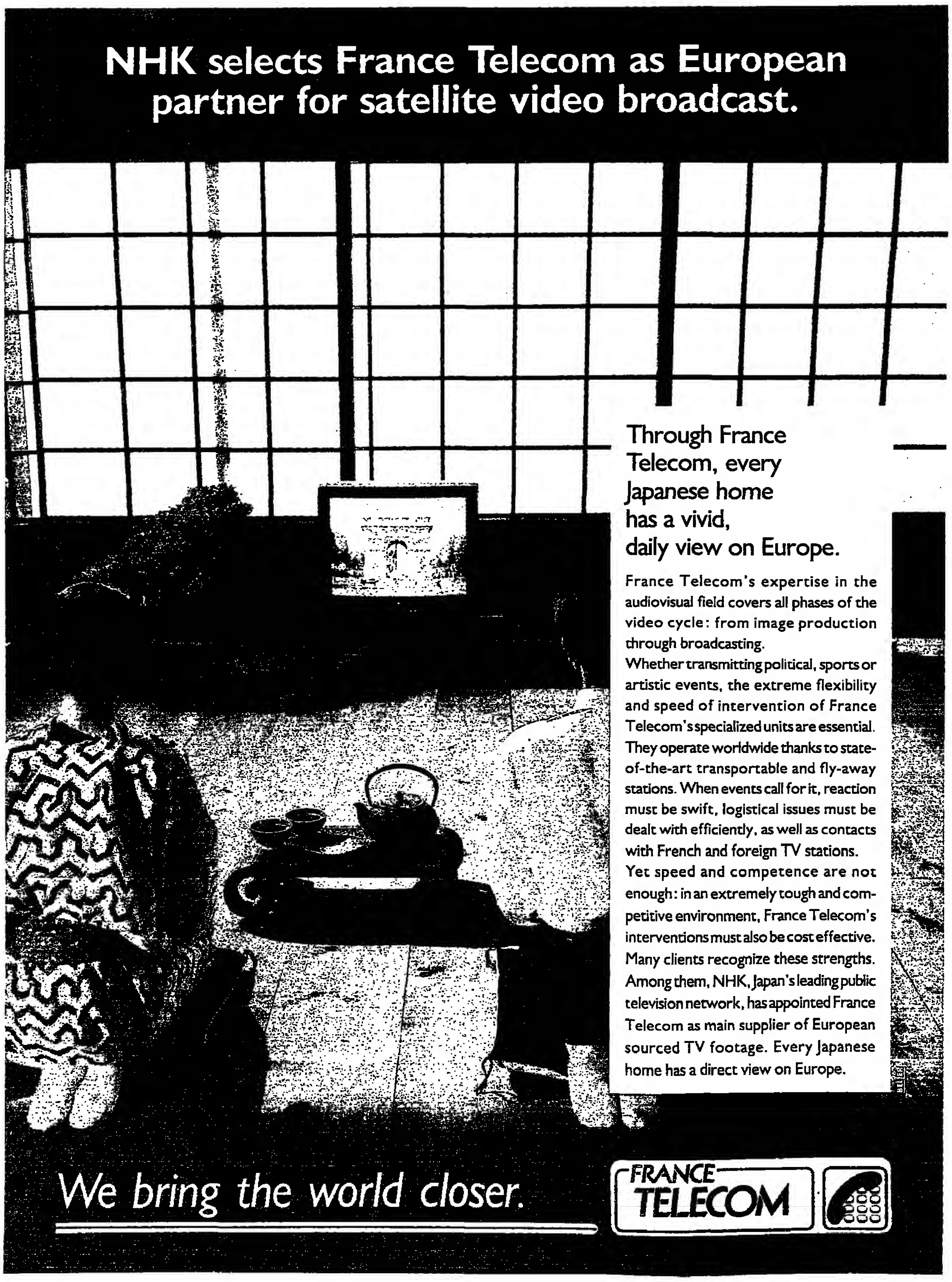
TRAFFIC FUMES in Edinburgh (pictured above) are causing serious pollution problems according to environmental health officers.

A year-long survey showed nitrogen dioxide levels were above European Community guidelines at 13 of 14 roadside testing sites.

Some samples disclosed pollution up to five times higher than the EC limit. The survey is the first of its kind in Scotland and the most comprehensive to be carried out in a British city.

A pollution taskforce set up by Edinburgh District Council is to hold its first meeting on Tuesday. Civic authorities, motoring and environmental groups are to take part in the talks.

Measures to reduce pollution might include incentives for motorists to switch to public transport or use cycles. A "switch off" campaign for drivers at traffic lights and congested areas might also be considered. The council is to encourage greater use of cycles and car sharing among its 5,000 staff. Mr David Trippier, environment minister, said it was "perfectly possible" the Edinburgh findings were true.



BRITAIN IN BRIEF

French group to restructure UK operation

Rhône Poulenc Rorer, the French pharmaceuticals and chemicals group, has *announced plans to restructure* its UK operations. The company said it will relocate its north European headquarters from Dagenham, east of London, to Eastbourne on the south coast. A manufacturing plant in Yorkshire will also be closed with the loss of 60 jobs.

The decision follows its failure to sell its Eastbourne manufacturing plant. The group, which has a turnover of about £160m in the UK, said it had talked for more than 12 months to more than 40 companies around the world, but none had been willing to pay what it wanted.

The group said it had now decided to keep the plant, which had become increasingly profitable. Manufacture of generic non-patented drugs will be transfered to Eastbourne from Yorkshire. Dagenham will maintain its production and research facilities, although about 120 jobs will be moved to Eastbourne.

Spending on takeovers falls

Spending on takeovers by UK industrial and commercial companies fell to its lowest level for more than seven years in the third quarter of this year, according to official figures released. The Central Statistical Office reported that spending on initial payments for acquisitions fell to £980m in the most recent quarter from £1.43bn in the second quarter. The third quarter spending level was the lowest since the second quarter of 1984.

No change in water quality

The percentage of UK bathing waters meeting EC standards has shown no improvement over the past two years, according to figures released by the Department of the Environment.

Tests during the bathing season this year showed that 76 per cent met the EC standard compared with 77 per cent last year.

Mr David Trippier, minister of state for the environment, said, however, the £2bn clean up programme for beaches was delivering tangible environmental improvements and virtually all bathing waters in the UK would be up to the required standard by 1995.

Extra £100m for inner cities

An extra £100m is to be made available for inner city regeneration over the next two years, as part of the government's spending plans, according to Inner Cities Minister, Michael Portillo. He said the resources would go towards regenerating inner cities and reclaiming derelict land.

Colleges expect financial deficit

More than a quarter of all polytechnics and higher education colleges are forecasting deficits for the present financial year, with ten of the 85 institutions giving "cause for concern", according to the National Audit Office (NAO), the parliamentary watchdog.

In a report to parliament on the Polytechnics and Colleges Funding Council, the NAO describes as "disappointing" the failure of institutions to develop fully reliable mechanisms for accurate financial forecasting.

It is particularly necessary for them to do so because of their shortage of reserves, and the rapid increase in their student numbers, says the report.

Travel agency ceases trading

A travel agency with more than 30 branches has ceased trading but clients were assured their holidays were safe. West Midlands-based Don Everall Transglobe was unable to meet its financial commitments, said the Association of British Travel Agents (Abta).

"They were Abta members, so all holidays are safe," said ABTA spokesman Keith Betton. The company, which employed about 100 people, was one of a number of travel businesses to go under due to the recession and the aftermath of the Gulf war.

So far this year, Abta has refunded customers' money or helped finance holidays to the extent of £18m.

Energy labels prompt dispute

Manufacturers of refrigerators and freezers are in conflict with the regional electricity companies over an energy labelling scheme backed by Mr John Wakeham, the energy secretary.

The voluntary scheme has been drawn up by the department of energy together with the Electricity Association representing 15 regional electricity companies.

It is intended to provide clear information about the energy efficiency of different models. But British refrigerator manufacturers have criticised the introduction of such a scheme at this stage. They prefer to await the introduction of the EC mandatory energy labelling directive which is expected to be agreed next year.

Mine workers face pay cut

Mine workers face a self-imposed 50 per cent pay – cut in the run-up to Christmas if they vote for industrial action in the pit-head ballot, according to Mr Kevan Hunt, employee relations director of British Coal.

Mr Arthur Scargill, president of the National Union of Mineworkers, is urging his members to vote for an overtime ban in protest at British Coal's pay award.

English tops language poll

English is the most popular language in the European Community, according to a new survey of young people. The poll for the European Commission shows that while 34 per cent of people aged 15 to 24 spoke English in 1987, the figure in 1990 was 42 per cent.

THE NUCLEAR WASTE COVER-UP.

There are people who would have you believe that we're less than open about what we do with nuclear waste at Sellafield.

The truth is, the only cover-up is the cover-up of the waste itself.

So what exactly is nuclear waste? How is it different from all the other types of waste produced by industry? The simple answer is that it is radioactive. And because of this it has to be managed with care.

But let's not over-react. Nuclear waste should be put in context with other, often more hazardous, materials. Highly infectious hospital waste, and some industrial waste containing mercury, for instance, may remain hazardous for ever. Radioactive waste decays with time.

The key to how safe it can be, is how properly it is managed and looked after. That's why we at British Nuclear Fuels are spending over £2 billion on a programme which allows us to continue dealing safely with nuclear waste.

A major misconception is that all nuclear waste is the same.

Not true. In fact, it falls into three distinct types which emit varying intensities of radiation.

Consequently, they are safely dealt with in completely different ways.

The most radioactive is **High Level Waste**, which results from reprocessing spent nuclear fuel.

We can recycle 97% of spent fuel into new fuel. It is the remaining 3% waste that must be carefully dealt with.

At present, high level waste is stored inside double-walled, cooled stainless steel tanks enclosed in thick concrete walls.

However, we have brought into operation a process called 'vitrification', in which liquid waste is turned into powder, converted into glass and sealed inside stainless steel containers to be kept safe for the indefinite future.

This method reduces the waste to ⅓ of its original volume.

Or, if you want to look at it another way, all the high level waste produced at Sellafield in the last 30 years could easily be contained in just 4 double-decker buses.

A far less radioactive type of nuclear waste, known as **Intermediate Level Waste**, occurs when the nuclear fuel rods are stripped in the first mechanical stage of reprocessing.

The scrap metal, sludge and residues that are involved in this operation are sealed in cement inside stainless steel drums, and stored in our special encapsulation plant until a suitable long-term home has been found.

The least radioactive waste of all is **Low Level Waste**, such as paper towels, gloves, protective clothing and laboratory equipment which not only come from the nuclear industry but from hospitals, research laboratories and other industries where radioactive materials are handled.

Despite the fact that radiation from low level waste is negligible, we take no chances in the way that we deal with it.

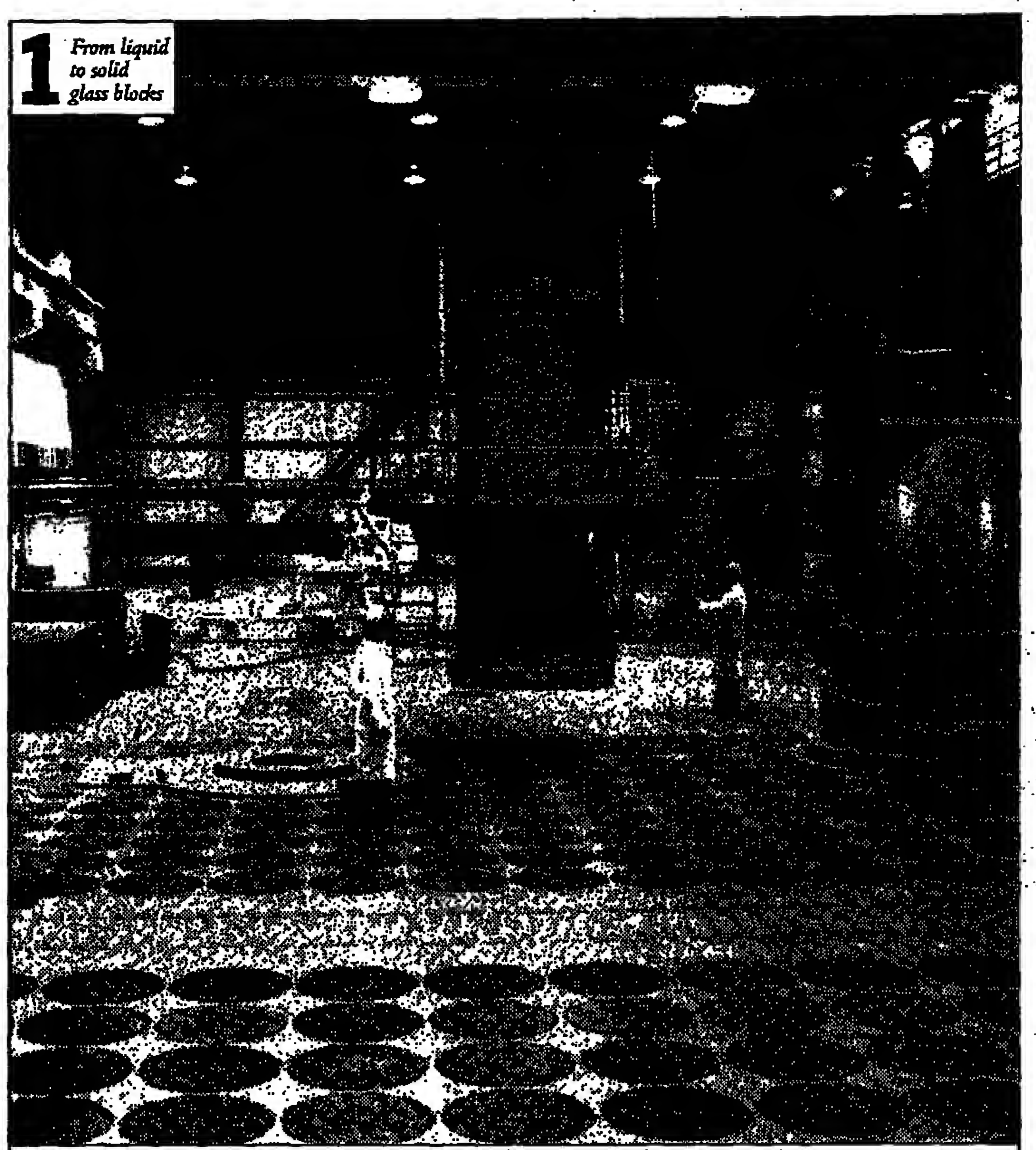
At Drigg in Cumbria, we have built and use a concrete vault the size of 12 football pitches, and we are developing a method of compacting this type of waste, which means Drigg won't be full until well into the 21st Century.

Intensive investigations have been carried out at sites at Sellafield and at Dounreay in Scotland to assess their suitability as a deep underground repository for intermediate and low level radioactive waste. Sellafield has been chosen as the site at which further investigations will be concentrated.

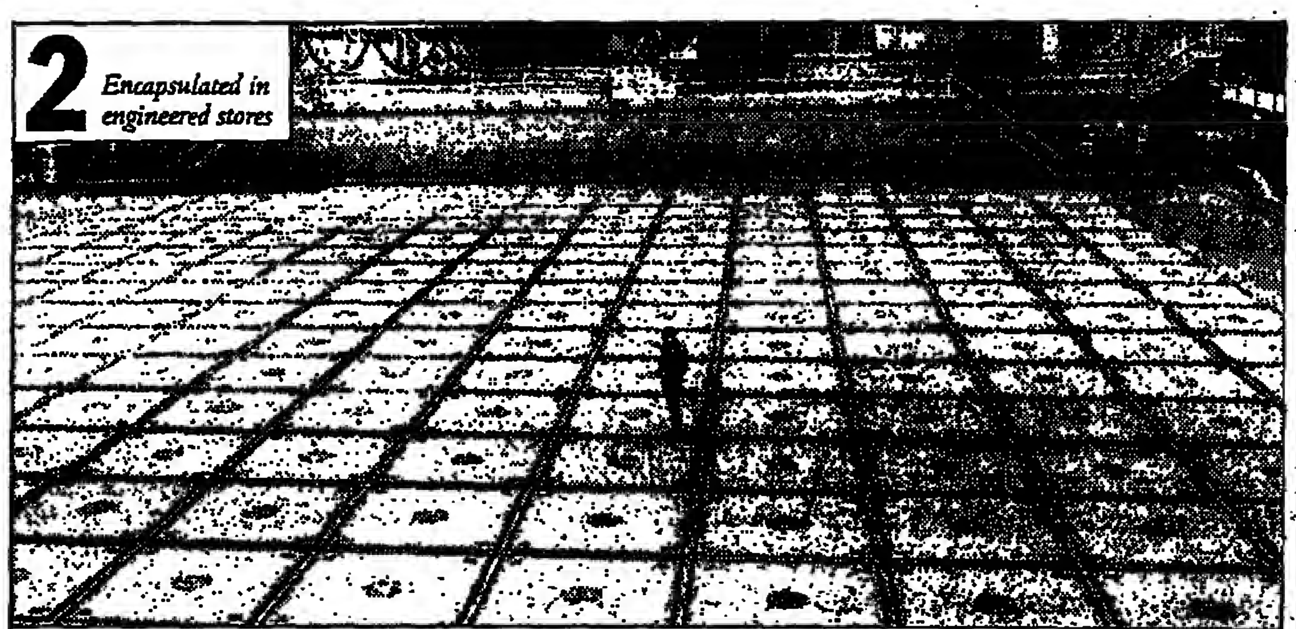
If you'd like to know more about the way we manage nuclear waste, write to British Nuclear Fuels, Information Services (CU), Risley, Warrington WA3 6AS for our nuclear waste brochure.

Better still why not come and visit us at the Sellafield Visitors Centre in West Cumbria. You'll discover that the future of nuclear waste couldn't be in safer hands.

BRITISH NUCLEAR FUELS
Managing waste at Sellafield.



HIGH LEVEL COVER-UP



INTERMEDIATE LEVEL COVER-UP

LOW LEVEL COVER-UP

MANAGEMENT

Sex discrimination

Right time to raise the roof

Nancy Dunne reports on American efforts to shatter the so-called 'glass ceiling'

At Southern Bell of Georgia, the state headquarters of Bell South Telecommunications, the age of white male domination is over.

On the "golden staircase" to the executive suite, white men in the heart of the old confederacy have had to make room for women and minorities. Southern Bell is determined to shatter the "glass ceiling" of subtle discrimination which blocks the progress of women and minorities through the corporate ranks.

For all the advances over the past 25 years, professional women insist that male attitudes still confine them to jobs beneath their abilities. Judged by gender, rather than by achievement, they find their careers crippled by an unspoken assumption that wives and mothers – or even potential wives and mothers – want limited responsibilities.

When Southern Bell decided to change its management structure, it put into place a complex scheme of advancement for mid-level managers. Using both supervisor reviews and recommendations by an independent board of psychiatrists and psychologists, it selects 12-15 potential executives each year, without racial or sexual bias, on the basis of individual abilities – knowledge, drive, organisational and leadership skills, verbal and written communications skills, and decision-making abilities under pressure.

The promising candidates enter a one-year training programme. They are taken out-of-doors to rough it and to learn group decision-making skills. They are exposed to a total picture – rather than a departmentalised view – of Southern Bell's operations.

The US Labor Department this year chose Southern Bell for one of its Exemplary Voluntary efforts awards. By selecting executives without regard to race or gender, the company produced 1,182 women managers out of a total 2,990 and 500 managers who are black, Asian, Hispanic or American Indian.

Lynn Martin, the US Labor Secretary, would like to see such programmes copied by other companies. She vows to break through the "glass ceiling," because she believes it creates a drag on the ability of US companies to compete internationally. Over the next 10 years, white men will comprise only 15 per cent of net growth in the US labour force. By the year 2000, they will hold less than 40 per cent of the jobs. Martin says the economy can no longer afford to waste the abilities of women.

A Labor Department study of nine Fortune 500 companies demonstrates the existence of a glass ceiling at a much lower level of management than had been commonly supposed. In the study, women comprised 37 per cent of the workers but only 6.6 per cent of management.

While vast differences existed among the companies' products, operations and locations, the researchers also found similarities which they believe subtly propagate a corporate hegemony of white males.

An informal recruitment process produces most of the senior executives. Referrals and news of openings travels through a corporate (mostly male) grapevine. Interviews take place over casual lunches or dinners. Male employees are chosen for advancement early on in their careers and given assignments which would qualify them for top jobs.

Women are not picked for training programmes, courses and assignments valuable to career advancement as often as men. Often their bosses assume that mothers and wives will not accept transfers or long working days.

Personnel and public relations jobs are more available to women than jobs in sales and production, which senior executives consider "fast tracks" for the upward-bound.

US law has required the Labor Department to eliminate discrimination in promotions since 1965. Companies which do business with the US government – there are about 250,000 receiving $200bn (£113bn) in contracts – must take "affirmative action" to hire and promote women and minorities.

The Labor Department report found that the nine companies, although each was a federal contractor, had made minimal efforts to move women and minorities into higher management.

The Labor Department enforces the law requiring equal hiring through "compliance review" audits. Every federal contractor must submit information about its workforce composition. The department is now examining this data as it gradually shifts its emphasis from hiring to promotion.

Martin vows to use the "bully pulpit" of her position to urge voluntary compliance with US law and, in grand Republican tradition, to publicise "good" companies by making annual awards, like the one presented to Southern Bell.

The Department will also conduct "glass ceiling reviews" of companies selected by computer because their workforce data seem not to reflect the local labour demographics. Companies must agree to remedy deficiencies or they lose lucrative government contracts. The enforcement process will be slow; the Department took 1½ years to do the first nine reviews. Hence Martin's stress on voluntary compliance.

She is unlikely to meet much resistance. Dozens of companies have recognised the reality of the demographic trends and have begun to take action on their own.

According to Jan Ellis, a Labor Department official: "Many companies firmly believe that if their workforce does not reflect the demographic changes they will lose top talent and fail to maintain their global competitive advantage."

Corning, the glass and ceramic company, has had difficulty attracting first-rate workers to its headquarters in rural upstate New York. Four years ago it began a radical reorientation of its white-collar promotion policy.

The company sets yearly targets for the increased representation of women and blacks in management. This year, the goal was to promote 10 women and five blacks to the 30 positions on the executive payroll. As a consequence, women have doubled their number of executive positions since 1988.

To continue the trend, Corning provides each worker with a five-year "success plan" for an upward career path. Each one must take courses on problems associated with race and gender. Company benefits include $2,000 for adoption aid and up to eight weeks' pay for maternity leave. Childcare facilities have expanded; part-time and flex-time work policies were initiated.

At one time, women would not have been considered for a job requiring frequent travel. Kathryn Littleton, Corning's manager of corporate communications, travels often to other company plants, and she takes along her two small children and a baby-sitter. This is luxury she can afford on an executive's salary. She meets a growing number of women and black men at production meetings, which were once all-white preserves. "Changing a culture takes a long time, but we have sensitised men to the struggles of women who search for balance in their lives," Abrams said.

Some white male executives resent Corning's affirmative action goals, but Littleton insists that they are fair. "We have levelled a tilted playing field," she says.

Ann Morrison (left) and Lynn Martin: professional women insist that male attitudes still confine them to jobs beneath their abilities

Advice that has not been heeded

It is now four years since Ann Morrison and a team from the California-based Center for Creative Leadership wrote Breaking the Glass Ceiling, writes Andrew Hill.

Based on a three-year study of the largest US companies, the book asked how women could reach the top in America's largest corporations. Since then, depressingly little has changed, Morrison claims.

"The glass ceiling remains and it's not much higher than it was five or six years ago, if it's been raised at all.

"The argument was that all (corporations) needed to do was find these qualified women and everything would automatically happen, and it hasn't."

Morrison blames three principal elements.

- Lack of enforcement. Morrison welcomes the efforts of Lynn Martin, the US Labor Secretary, to raise or shatter the glass ceiling but asks whether the government will now act to apply anti-discrimination laws, penalising companies which fail to prove they are employing enough women in management.
- Fragmentation of under-represented groups. Women are not the only employees aiming for seats on the board. Asians, blacks, Hispanics and others are now in fierce and sometimes self-defeating competition for greater representation.
- Male backlash. "A lot of white men feel they are being attacked from all sides and they are going to hold their ground and come out even more determined to do things their way," says Morrison. That could deprive women of the helping hand from above she believes many need if they are to break through into higher management positions.

Morrison's analysis is not all pessimistic. She says corporations are increasingly combining an enlightened recruitment policy with positive efforts to push the best women into executive positions as role models.

But in general, she says her team's advice and warnings about the future for women in business have not been heeded.

"We're actually thinking of re-releasing the book because it's still representative – a lot of the arguments and the numbers are still the same," she adds.

Britain's bungling bosses

By Charles Batchelor

British managers are in the doghouse again. Only the French make worse managers, if a survey of how British managers perceive themselves and their counterparts around the world is to be believed.

Japanese managers top the world ranking followed by the Germans and the Americans, a survey of 200 finance and personnel managers by Robert Half, a financial recruitment consultancy, showed.

The Japanese were rated the best managers by 42 per cent of the people polled. They were followed by the Germans with a 30 per cent rating and Americans with 18 per cent. The British came in a poor fourth with just 10 per cent.

But what makes a good manager, according to other managers? The most highly rated characteristics were 'the ability to delegate', mentioned by 29 per cent, followed by 'the ability to motivate staff' with 22.5 per cent.

Other highly prized qualities were 'the possession of organisational and planning skills' (22 per cent), and 'the ability to provide effective leadership' (20 per cent).

Jeff Grout, managing director of Robert Half, said the survey's findings reflected people's perceptions rather than reality. The quality of management in many UK, and other European, companies had improved markedly in recent years while many US companies were less well managed than was frequently assumed.

This may be so but countless exposures of the failings of British management appear to have left UK managers with an inferiority complex. A survey of British and US managers last year by Robert Half revealed that the British thought the Americans were best – and the Americans thought the Americans were best.

Does this represent a business opportunity for the British? After all, the Japanese were busily improving their management skills throughout the 1950s and 1960s at a time when few western manufacturers perceived them to be a potential threat.

BUSINESS AND THE ENVIRONMENT

Ian Hamilton Fazey and John Hunt examine moves by British industry leaders to get more companies involved in implementing environmental policies

Peers apply the pressure

Peer group pressure at chairman or chief executive level is proving a powerful force for promoting greener industry, according to Terry Greer, chairman of Johnson Group Cleaners.

The Bootle-headquartered Johnson is a member of the north-west business leadership team and Greer chairs its environmental action group. When he took on the job last year, only half of the team's 28 members had made positive statements of environmental policy. Now nearly all of them have – and are laying the groundwork to ensure policies are both implemented and monitored for effectiveness.

Last week Michael Heseltine, the environment secretary, bemoaned the fact at the CBI's annual conference that only half of Britain's leading companies have yet published green policy statements and two-thirds have no one to implement it. Greer is feeling pleased at the north-west team's example. However, his case may be exceptional.

Although there are now many business leadership teams in Britain – all formed under the auspices of Business in the Community – the north-west's is somewhat different. While others are based on a town, city or conurbation, the north-west's is based on Britain's biggest economic region outside greater London. The north-west has 7m people and accounts for 10 per cent of gross domestic product, so the scale of activity is large.

The team was set up by John Ashcroft, the chairman of Coloroll before the company collapsed in the recession under the weight of its debts. Ashcroft reasoned that many big-company chairmen would find the new training and enterprise councils too small to justify the time they would demand. But a business leadership team functioning at a strategic economic and political level would make more sense and be more attractive.

When Ashcroft stepped down after leaving Coloroll, the Duke of Westminster, whose Grosvenor Estates is based in Cheshire, took over as chairman. The team includes such figures as Sir David Alliance of Coats Viyella, Sir Christopher Harding of British Nuclear Fuels, Des Pitcher of Littlewoods and Alan Cockshaw of Amec, the construction group.

Each plays an active role in one or more fields concerned with regionwide policy issues or industrial development. Greer's environment action group is one such area of policy. He makes no claim to be an expert on environmental matters, but his action group is stocked with specialists from Amec, North West Water, Ciba-Geigy, Pilkington, Unilever and British Nuclear Fuels.

Its first objective was to make sure all companies in the business leadership team published an environmental policy and set up the means to implement it. "Implementation and audit are quite another matter from merely saying you have a policy," Greer says. "But don't get thinking we have done it all. We have made a good start, but there's a long way to go."

The second objective was to persuade all members of his action group to share their knowledge and develop recommendations that could be passed on to members of the team as a whole. This is where peer group pressure is emerging at its strongest.

The third objective is to identify derelict or difficult pieces of land which can be developed by partnerships between private and public sectors. The experience of Pilkington and Amec in working with the local authority to reclaim 48 acres of industry-poisoned ground in the middle of St Helens is a model the team is urging others to follow. The three partners formed a special company for the job and got £6.3m of urban funding from the government to help it bring the land back from the dead.

The final objective of the group is to convert smaller companies. Greer says many companies still claim they are too small for environmental issues to concern them. The business leadership team hopes to help them change their minds. It will make a start next week with a forum to which smaller companies are being invited.

Greer says that by developing policies and the means of implementing them, pooling knowledge and finding a means to pass it on, big companies can save smaller ones from having to reinvent the wheel or pay through the nose for advice. "You don't have to spend a fortune with some high-falutin' consultants to develop a policy for your business in which all your employees can play a part," he says.

The Johnson group disseminates its own policies via a regular bulletin. Environmental policy is part of all induction courses and will gradually appear in all training. The bulletins cover a range of issues, including energy conservation and preventing cleaning solvents being emitted to the atmosphere through inefficient operation of machines.

Greer believes that big business must lead by example. Peer group pressure looks like ensuring, in one part of Britain at least, that big business will get its own act together so it can point the way.

IHF

Keeping one step ahead of the pack

Sophisticated management programmes to minimise the impact of industry on the environment have been developed by large companies such as the giants of the oil and chemical industry and other multinationals.

But now the focus has turned to the medium and smaller companies. It is not so easy for them to find the financial resources and staff needed to meet the "green" challenge and it may be too expensive to bring in outside consultants to do the job.

Last week a group of companies of varying size met at Leicester to exchange views on how they have tackled this problem. They were Everards brewery of Leicester, Start-rite Shoes based in Norwich, Thorntons of Derby, manufacturers and distributers of chocolates, and ICI Polyurethanes of Shepton Mallet, Somerset.

The Prince's Trust, a charity, was also represented. By its own example it is trying to encourage green-awareness in the voluntary sector which now represents £17bn a year.

The meeting was held by Business in the Community whose president, the Prince of Wales, was present to ask some pointed questions.

The companies had all achieved considerable success by using a simple do-it-yourself environmental workbook. This was produced by accountants and management consultants Coopers & Lybrand Deloitte for Business in the Environment, a team of senior business leaders chaired by Tony Cleaver, chairman and chief executive of IBM.

Start-rite, which employs 700 people and manufactures and distributes 1.5m pairs of children's shoes a year, had used the book to survey its operations.

"We found it to be a cost saving exercise," said Mike Chesworth, joint managing director of the company. "This has not only been through cost reductions in materials but in greater efficiency from environmental investigation into all company operations."

A team of six senior managers at Start-rite carried out research among retailers and customers who were asked to comment on every item of packaging and how to dispose of it. As a result a business plan has been drawn up for 1992 under which all shoe boxes and carrier bags will be made from 100 per cent recycled pulp or paper and tissue paper will be from 60 per cent recycled material.

Thorntons, which has a turnover of £80m, aims to reduce emissions by purchasing vehicles which are more economical on fuel and to rationalise the pattern of deliveries. The target is a 10 per cent reduction in fuel over the next 18 months with a saving of at least £20,000.

Within the next one or two years the company will change to refrigerators which do not use chlorofluorocarbons. Insulation currently used in its delivery vehicles is manufactured without using CFCs.

At Everards, a fifth-generation family-owned company with 135 pubs, a survey of energy conservation showed that there was a high level of insulation and use of low-energy lighting. Packaging is in reusable containers – 95 per cent of them with a life expectancy of 15-20 years.

Because large amounts of water are used in brewing, the company found that by collecting its rainwater it can save 8 per cent of the 11m gallons it uses each year.

ICI Polyurethanes was purchased by ICI from C & J Clark, footwear manufacturers, in 1989. The plant manufactures material for use in shoe soles and for dashboards and seats in the car industry.

It is modifying a process in order to reduce waste from glycol which is used in the manufacture of polyester resin. At the moment it is taken away in effluent by tankers and disposed of by the local water company. Paul Lambert, site manager at the factory, estimates that this waste can be reduced by half with a resulting saving of £30,000-£50,000 a year.

In order to reduce waste generally the management has broken down the figures and assigned the true cost to each department which creates the waste. This internal version of the "polluter pays" principle is expected to concentrate minds and reduce drastically the amount of waste produced.

The handicaps which will be suffered by companies that fail to act on the environment is spelled out in the introduction to the handbook. Those which are slow off the mark will find it increasingly difficult to market their products, dispose of waste, obtain insurance, attract finance, keep within the legal framework and recruit the best staff.

JH

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Auditing advice from all corners

By Peter Knight

An environmental auditing code of practice launched this week in the UK is designed to reduce the confusion over standards and qualifications of green auditors.

But with three professional groups representing environmental consultants, the imminent publication of environmental management standards by the British Standards Institution (BSI) and the EC's Eco-Audit regulation expected at the end of next year, the confusion looks set to worsen.

This comes at a time when UK companies are being urged by government, pressure groups and the Confederation of British Industry to pursue environmental excellence. They are being offered help by a bewildering range of consultants, from management experts at accountancy firms through to freelance specialists in ecological disciplines.

The Association of Environmental Consultancies (AEC), which launched its auditing code of practice this week, was set up to help improve the quality of environmental consultancy. "We are trying to put a minimum quality stamp on the profession. We do not have any grandiose ambitions above that," says Robin Bidwell, managing director of UK-based consultants Environmental Resources and a founding member of the AEC.

The association has about 20 members from a possible 30 firms which could meet its requirements. All members will be verified every year by an independent panel, probably academics.

Meanwhile, the Institute of Environmental Assessment, which concentrates on environmental impact assessments, is in the process of extending its activities to auditing too. Unlike the AEC, the institute is not a trade association but has members from local authorities, industry and consultancies. Its main aim is to promote best practice in environmental impact assessment.

The institute now wants to help develop professional qualifications and accreditations for environmental auditors. It will be a national system in which other groups, such as the AEC, take part.

In April yet another body, the Institute of Environmental Auditors, was established with Chris Dearman, a technologist, at the head. He set up the group because he was frustrated by environmental assessors who lacked sufficient knowledge to judge the suitability of large projects which exploit a range of technologies.

Moves to improve the image and accountability of the environmental consultancy business are being driven by customer demand for a self-regulated profession. This is becoming more urgent with the expected BSI standards for environmental management systems and new EC laws.

The standards, similar in style to the BSI specifications for quality management, should be published by March. They will lay down the basic management steps which should be followed if a company wishes to pursue environmental excellence.

The standards should help companies comply with the EC's expected stipulations on environmental audits, called Eco-Audit. The EC plans to issue a regulation by the end of 1992 which will introduce voluntary audits for companies.

It is unclear what sort of obligation such an audit will place on an organisation. Early drafts stipulated that companies should publish all the information gleaned by the audit. But the EC might only require participating companies to publish edited results.

The Eco-Audit scheme will come into operation by 1993 and will be reviewed in 1996. If only a few companies participate, the EC could make the audits compulsory.

Such threats and the mere existence of the EC's auditing scheme are concentrating the minds of those professional bodies whose members stand to benefit from the expected increase in work.

The Eco-Audit regulation stipulates that each country must appoint one independent body to accredit the eco-auditors. Because there is no obvious choice in the UK, this is expected to be the National Accreditation Council for Certification Bodies.

TELEVISION

Truth behind the truncheon

In much the same way that the true significance of Freudianism may turn out in the end to be literary rather than medical, so it may be that television's greatest importance, in the 20th century anyway, will prove to be not in drama or light entertainment or even sport, but in the way that its journalism revealed vividly to a mass public the realities of society's governing forces: the way that politicians, the military, police and judicature carry on. Say this to politicians, print journalists or academics and they tend to sniff contemptuously and mutter about "the goggle box" or "visual chewing gum".

It is true, of course, that much in television journalism is vulgar and sensational (indeed I am keeping an eye on the increasing flow of "tabloid telly" and will report soon). Yet there is probably rather less, proportionately, of such material on television than in the world of print where vulgar books, sensational newspapers and frankly pornographic magazines are commonplace. Those who took a little trouble with their selection of television journalism in the past week will have in their minds a number of powerful – for some unforgettable – images.

There was the picture of a British policeman repeatedly clubbing the unprotected head of an unarmed demonstrator with his truncheon; and entire squads of British Bobbies systematically smashing the windows of mobile homes, dragging out the defenceless inhabitants, and beating them to the ground with their staves. There was a succession of photographs of middle aged men each of which mixed through eerily to a picture of a younger version of what appeared to be the same person. There were scenes in a British courtroom of a judge summing up a case with extraordinary bile and inaccuracy. There was a man from eastern Germany telling how the state sent him a bill for the 56 bullets which killed his pregnant wife. There was the sight of Margaret Thatcher earning $30,000 for giving a speech in the US. And so on.

After looking into the details of these programmes some would doubtless argue that they were all politically inspired. If the implication is that all the makers identify with one and the same political party the claim would seem highly doubtful, but if the assertion is that the makers are all concerned about the distribution and use of power in society, that is probably undeniable. But doesn't such a concern lie at the very heart of most of the best journalism ever produced?

The policeman with the truncheon caught by the camera was striking Russell Broomhead, one of the miners involved in the notorious scenes at the Orgreave coking plant in 1984. The programme was Channel 4's *Critical Eye* and it did not concern itself with the rights and wrongs of the dispute which led to the mass picketing of Orgreave, nor of the mass picket itself. It was concerned entirely with the police response and this was clearly considered both tacitly and, to some extent, explicitly to be unjustifiably violent.

For avid consumers of news and current affairs there may have been little in this programme which was new, but for me it revealed three significant facts. First that the miners recently won 420,000 in compensation from the police for assault, malicious prosecution and false imprisonment after the events at Orgreave; perhaps I was on holiday when this appeared everywhere as a major news item. Second, that despite all the evidence contained in photographs and newsreels not a single policeman has ever been so much as disciplined for what happened at Orgreave. And third, that BBC News has admitted that its coverage of the battle was wrongly edited so as to suggest that the initial onslaught by the police was in response to stones thrown by the miners whereas in fact the miners only started throwing stones after the police attacked.

The most significant effect of this programme is probably its contribution to the growing suspicion and distaste with which the police are treated not by the criminal fraternity but by ordinary law-abiding people. Precisely the same applies to the first half of the programme, called "Operation Solstice", in which Gareth and Russell Morris, Neil Goodwin and Rebecca Dobbs reviewed the activities of the police in "The Battle Of The Bean Field". That was the extraordinary occasion in 1985 when hundreds of hippies and "travellers" heading for the Stonehenge free festival were funnelled by the police into a field then viciously attacked and, in the case of 420, arrested.

It emerged that many of them have also brought successful claims against the police and, intriguingly, this report also raised questions about where television news stands amid society's various groupings of forces. We saw Kim Sabido, then an ITN reporter, delivering an intense piece to camera about seeing people with babies in their arms being clubbed by the police, and the need for an inquiry – a report which has never been shown on television before. Even more significant, however, if true was the assertion that all the most extreme footage shot in the bean field has now "disappeared" from the ITN archive.

The mix-throughs from images of older to younger men came in an edition of *Dispatches* (Channel 4 again) devoted to the belief that Americans are still being held as prisoners of war in Laos and Vietnam. The relevance of the programme to this article is not the dedication with which wives and children are still hunting for the missing men, but their seemingly unanimous condemnation of the American government not merely for failing to help but for deliberate obfuscation: it seems that the filed fingerprints of all those believed to be still alive have "disappeared" from their military records, for instance.

The appalling summing-up came in BBC2's Saturday night drama *The Trials Of Oz* which, since it began with the caption "All dialogue guaranteed verbatim" can, presumably, be regarded as journalism. It is awful to imagine what might have happened to the editors of *Oz* had they been tried before a judge who did not allow his personal antipathies to discredit his address to the jury thereby justifying an appeal. The programme was highly entertaining but it, too, packed a powerful message about the uses and misuses of power by various groups within society.

Scene from 'Operation Solstice', on Channel Four's 'Critical Eye'

Even clearer was the message delivered by ITV's *First Tuesday* which, this month as so often, found time hanging heavy on its hands. Still, however slow and spun out, its report on the East German guards who shot their compatriots who "violated the border" (i.e. attempted to escape) was as clear an example as you could have of the question of the individual's moral responsibility for implementing the orders of the state. The account of Mrs Thatcher's activities since her fall from power were in ITV's *World In Action*.

There is a fairly widespread belief within the television industry that the spitefully destructive system of auctioning ITV franchises was introduced following Thatcherite fury at the Thames programme *Death On The Rock*. It may be a little absurd to suggest a direct causal connection but it is certainly true that the Thatcher administrations became just as angry about television journalism as every other government of any duration has been throughout the age of television. Evidence on screen in the sort of recent programmes described here suggests, however, that television journalists have not been cowed and of that we should be glad.

There is an irony behind all this. Nobody has been keener to celebrate the collapse of eastern Europe's communist regimes than Mrs Thatcher and her retinue, but none of them is ready to acknowledge that a significant part seems to have been played by television. Despite the familiar hostility of the state, television in border areas showed the subjects of totalitarian regimes some of the realities of life in the west; and under *glasnost* television began showing some of the realities of life within the eastern bloc, too.

The police truncheon on the unprotected head tends to convey a similar message in any language.

Christopher Dunkley

Prokofiev: Betrothal in a Monastery

GUILDHALL SCHOOL/BARBICAN

Although the end of Prokofiev's centenary year is drawing nigh, the operas are not to be seen at either of the London houses. It was clearly important that the Barbican's Prokofiev festival should feature some operatic content and the Guildhall School of Music has furnished the goods with a lively production of the comic opera *Betrothal in a Monastery*, which should set peals of laughter ringing.

This piece is not a complete rarity, as it has surfaced at Wexford and the Edinburgh Festival last year, when the Bolshoy Opera made its first appearance. Prokofiev was much taken by Sheridan's comedy, *The Duenna*. He liked its romance, which he captured in some fine passages of love music, and likened its comic style to "champagne". Unfortunately the Russian sense of humour works on a different level and the opera comes across more with the subtle kick of a double vodka.

In the score all manner of comic sounds are let loose, from rude bassoon noises to cackling wind parts. Prokofiev demands that the orchestra should enter fully into the rib-digging spirit of the comedy and it is difficult to imagine the opera more characterfully realised in musical terms than it was here by the valiant young players of the Guildhall's Symphony Orchestra, giving their very best for the school's celebrated guest conductor, Mstislav Rostropovich.

It is said that Rostropovich has not worked with students within a single music college before. In which case this production will have given him a very elevated idea of what to expect, for the whole evening ran on professional lines, directed with superb comic elan by Stephen Medcalf and designed in style by Isabella Bywater, with sponsorship from The Baltic Exchange.

Within a single set hung with fishermans' nets the flavour of this fishy tale of commercial greed and lovers in disguise was nicely caught. Medcalf touched upon a number of familiar Prokofiev traits, from the grotesquerie of the masked Cossack revellers to the dance element in music reminiscent of the ballet *Romeo and Juliet*. But it was the performances that he drew from the young cast that made the production so much fun.

Although the Guildhall may understandably lack a supply of full-throated Russian voices, there was no performer in this large cast who wanted the musicianship or the stage character to do the job. As the ridiculous old father Don Jerome, Robert Burt gave a particularly expert performance in what is a long and difficult role, taken in the Bolshoy's production by no less a tenor than Maslennikov.

The two young ladies included an amusing Louisa from Susan Felver and a promising mezzo Clara in Caroline Zygadlo. Niall Morris gave evidence of a useful voice as Don Antonio, while René Linnenbank put together a suitably slithery caricature for the mercantile Mendoza. The monastery scene is always a hit and so it was here, with Edward Hands, eyes raving, thirst unquenchable, a Brother Elixir who uses the monks' candelabra as a wine-dispenser. Knockabout humour, but then Prokofiev asks for that. There are four further performances.

Richard Fairman

The Prokofiev centenary celebrations are hotting up, and in London Rostropovich is performing the duties of chief stoker. As well as the special opera-conducting activities at the Guildhall described above, he is spending much of the month in the adjacent Barbican Hall with the London Symphony Orchestra perusing all the symphonies and some of the concertos.

Rostropovich's personal relations with the composer (there are some wonderful photos of the two in the orchestra's admirable centenary programme) and his peculiar vitality as an interpreter should help make him an ideal Prokofiev guide; the LSO's characteristics of virtuosity and brilliance likewise. Yet on Sunday, and in spite of a sold-out house crackling with enthusiasm, the impression was decidedly mixed.

The performances of two lesser-known symphonies – the steel-and-smoke Second (1925), the bittersweeet Seventh (1952) – veered regularly into coarseness and back again. The two works may represent the extremes of the composer's stylistic compass, modernist dissonance and Soviet-realist expansiveness respectively, but here they were unhelpfully linked by intermittent braying crudities of tone (especially at full volume), splaying ensemble and heaviness of rhythmic tread. Some LSO conductors know exactly how to cope with the Barbican's uncomfortable acoustics – but not, it seems, this one.

Luckily, however, between these two disappointments came a superlative, festival-worthy account of the First Violin Concerto from Itzhak Perlman. In technical terms it was an unending marvel; more marvellous still was the insouciant lightness of touch, the delicious sense of throwaway timing – the "once-upon-a-time" qualities so important in this work were perceived and communicated in ways that had the listener holding his breath in delight.

Max Loppert

Slow Dance on the Killing Ground

GREENWICH THEATRE

William Hanley's play has only three characters: an ex-communist who runs an old-fashioned Brooklyn drugstore and claims to have been in a Nazi camp; a zany black American with an IQ of 187 who says he is the son of a prostitute; and a young student seeking an abortion so that she can get on with her thesis on the present political affiliations of former concentration camp inmates and ultimately become a writer.

The date is June 1, 1962 which, you may not remember, was the day after the execution of Adolph Eichmann. Eichmann does not appear directly, but is much discussed.

Slow Dance on the Killing Ground is a considerably better play than such a résumé suggests. The operative word in the title is "slow", but there is a kind of dance to the music of time and the ground is certainly killing. If you want an intelligent shot at taking on life and death, war and peace, civil rights, sex and race all in one go, here it is contained within 2¼ hours.

Glas, spelled in the German way with one "s", runs the store. It is not a thriving business, but as the play puts it several times, there are very few hiding places. Only in the second half does Glas, played by David Burke, come into his own. Yes, he is an ex-communist, but the story about his having been in a concentration camp was faked. He drove freight trains for the Nazis, and the freight was people. The Hitler-Stalin pact broke his faith in the Party: "My God kissed Satan and called him friend". The confession here is one of several powerful moments in the play.

Back at the beginning, Glas has been disturbed by the hyper-sensitive, hyper-intelligent black, Randall, who enters the store as a fugitive. It is not the most brilliant start. The piece comes to life, however, with the arrival of Rosie, a girl with bright auburn hair, who faints, comes round, uses the lavatory and then becomes articulate. She has failed to find the abortionist's address. The three characters talk. Rosie's best lines are when she explains the problems of being plain. It was her only sexual encounter. The auburn hair turns out to be a wig, subsequently worn by Randall when he adopts the role of a Kafka-style judge trying Glas for his crimes.

Most of the dialogue is never far away from the subject of Eichmann, the news of whose death is on the front page of the papers on sale in the store. What is the appropriate punishment for such a man, and what about the accomplices? Normally I spot corn and sentimentality a mile off: this play is guilty of neither. The main criticism is that it is a trifle wordy.

Laurel Lefkow as Rosie is never quite as good once she has removed her wig, but has a terrific 15 minutes. The trouble with Randall, played by Stephen Persaud, is that the author has tried to pack too much into the part: guilt, colour, high IQ *et al.* Americans might view it with more understanding. Still, serious theatre-goers should see it. The direction is by Lisa Forrell.

Malcolm Rutherford

Russian State Ballet

APOLLO, OXFORD

Vyacheslav Gordeyev danced in Golder's Green in 1967 with a group of recent graduates from the Bolshoy Ballet School and was hailed as a dancer of rare promise. That promise was realised during the succeeding two decades in performances with the Bolshoy Ballet around the world – but never again in Britain. I reported from various European cities on his vividly conceived Albrecht, his classically noble Prince in *Sleeping Beauty*, his ardent Romeo. Latterly he has been director of the Russian State Ballet, formed in 1979, and has returned to Britain with them this week for a regional tour.

The presentation – which I saw on Monday night in Oxford – is considerably more polished than that of other Soviet companies who have been circulating amongst us this autumn. Costuming looks fresh; the repertory is professionally conceived for the ardours of one-night stands and brief stop-overs in unfamiliar theatres; the recorded music is excellently played; the leading dancers are, with a couple of exceptions, pleasing; the attendant corps de ballet of girls is well-schooled, albeit a couple of the boys lurking at the rear of the stage have an etiolated and rather winsome appearance.

The offerings are, for the most part, determinedly classical, and the name of Marius Petipa is frequently invoked, on the assumption that if it's not Petipa, what else can it be? Gems from *Swan Lake*, *Le Corsaire*, *Esmeralda* are shown off – not, perhaps, stones of the finest water in these performances, but honestly done, and honourably presented. A young ballerina, Yana Kazantseva, makes a good impression in the adagio from *The Nutcracker*, and the first half ends with Gordeyev's re-staging of the *Walpurgisnacht* from *Faust*, which should really be danced by the Marx Brothers. Its combination of innocent lust and megawatt roguishness is marvellous to behold, and a trio for three girls with veils is a fascinating survival of "operatic dancing" of a much earlier time.

Matters become a little more difficult in the second half when two examples of what is thought of as modern Soviet choreography are unrolled. A fragment from Igor Chernishov's *Antony and Cleopatra* is a ludicrous acrobatic act in which Cleopatra seeks to tear off one of her own legs; Gordeyev's *Paganini* looks like a difficult emotional scene between Batman and Robin, and has nothing to do with anything save the abyss that separates the idea of modern choreography East and West. Gordeyev's other creation is a pleasing tango to an Astor Piazzola score. Gordeyev appears in two numbers, and I wish he had judged his own contribution to the evening better. In the Dance of the Hours from *La Gioconda* he wears white draperies and a pearl head-dress and might pass for the Empress Theodora. In a *Carnaval de Venise* divertissement, he is more rationally garbed, but the scene challenges his gifts not at all. An artist of Gordeyev's calibre needs serious roles which will explore his still thrilling stage presence and the dignity of his schooling.

Clement Crisp

BT to sponsor Dankworth's jazz courses

John Dankworth has won a three year sponsorship deal from BT for his predominantly jazz music courses to the tune of £45,000. The courses, which were established more than 20 years ago by the saxophonist and singer Cleo Laine, provide tuition to musicians in jazz, classical and popular music.

The 1992 BT Wavendon programme ranges from weekend jazz singing masterclasses with Marion Montgomery to residential week-long "allmusic" courses with professional musicians tutoring. All are held in or around Milton Keynes in Buckinghamshire and prices range from £65 for non-residential weekends to nearly £300 for the summer jazz courses.

Rising costs had threatened to close the Wavendon-based school, which counts Nigel Kennedy and John Williams among former tutors, according to Dankworth. Courses are open to musicians of all abilities.

Garry Booth

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Wolfgang Sawallisch conducts the Royal Concertgebouw Orchestra in an all-Beethoven programme, also tomorrow. Sat afternoon: Jeffrey Tate conducts the Rotterdam Philharmonic Orchestra and soloists in a concert performance of Mozart's Zaide. Sat evening: Netherlands Chamber Orchestra. Sun: Nikolaus Harnoncourt conducts Mozart (6718 345)
Muziektheater 20.15 Sankai Juku, Japanese Butoh dance group, also Fri and Sat. Tomorrow and Sun: Johannes Schaaf's production of Fidelio (6255 455/credit card bookings 6211 211)

■ BERLIN

Staatsoper unter den Linden 19.30 Franz Grundheber sings the title role in Der fliegende Hollander. Tomorrow: Ariadne auf Naxos (East Berlin 2004 762)
Komische Oper 19.00 Tom Schilling's production of Swan Lake. Tomorrow: Rolf Reuter conducts music by Hans Pfitzner (East Berlin 2292 555)
Deutsche Oper 18.30 Jiri Kout conducts Gotz Friedrich's production of Das Rheingold. Die Walkure follows on Sun, with Siegfried on Nov 20 and Gotterdammerung on Nov 24 (West Berlin 3410 249)

■ COLOGNE

Philharmonie 20.00 Big Band Jazz: Charlie Mariano and the Rhythm Combination and Brass. Tomorrow and Fri: silent films with the original soundtrack played live by the Westphalian Orchestra conducted by Helmut Imig – tomorrow includes Hindemith's score for Im Kampf mit dem Berg (1921) and Mascagnis's score for Rapsodia satanica (1915), and on Fri Shostakovich's music for The New Babylon (1929). Sun: Rostropovich conducts Prokofiev, with the London Symphony Orchestra and Itzhak Perlman violin soloist (2801)
Opernhaus 19.30 Gianfranco Masini conducts Simon Boccanegra, with Leo Nucci in the title role, Kurt Rydl as Fiesco and Lyuba Kazarnovskaya as Amelia, also Sat. Tomorrow: York Höller's opera Der Meister und Margarita. Fri: Die Zauberflote. Sun: Das Rheingold (221 8400)
Schauspielhaus This week's repertory includes Aristophanes' *Lysistrate on Fri and Sat and Jean* Genet's Les Bonnes (The Maids) on Sun. The Kammerspiele has Strindberg's Miss Julie tomorrow, Fri and Sat, and Brecht's Jungle of Cities on Sun (221 8400)

■ DRESDEN

Semperoper 19.00 Friedemann Layer conducts Fred Berndt's new production of Lulu with a cast including Maria Husmann and Kerstin Witt, also Sat. Tomorrow: Joachim Herz's production of The Love for Three Oranges. Fri: Le nozze di Figaro. Sun: Hansel und Gretel (4842 731)

■ FRANKFURT

Alte Oper 20.00 James Galway, accompanied by Philipp Moll, plays music for flute by Poulenc, Franck, Enescu, Roussel and others. Fri: Gidon Kremer is conductor and violin soloist in a programme of music by Lourie and Mozart. Sun: Muhai Tang conducts Mozart's Coronation Mass and Gounod's St Cecilia Mass (1340 400)
Opernhaus 19.00 Steven Sloane conducts Les Contes d'Hoffmann, with a cast led by William Cochran, also Sun. Fri: Eugene Onegin. Sat: La traviata (236061)
Jahrhunderthalle Hoechst Tomorrow's concert is an all-Mozart programme by the Dresden Staatskapelle conducted by Colin Davis (3601 240)

■ LONDON

Sadler's Wells 19.30 Trisha Brown Dance Company: a rare visit to Britain by the leading American choreographer, with a programme entitled Lever Best, Foray Foret. *Daily till Sat (071-278 8916)*
Royal Festival Hall 19.30 Only British appearance this season of the guitarist John McLaughlin. Tomorrow: Kenneth Klein conducts excerpts from Showboat (071-928 8800)
Queen Elizabeth Hall 19.45 Murray Perahia, Arleen Auger and friends in a programme of Mozart's chamber music. Tomorrow: Opera Factory production of Don Giovanni (071-928 8800)
Barbican 19.45 Christoph Eschenbach plays Mozart's Coronation Concerto with the ECO, and conducts Mozart's last two symphonies. (071-638 8891)

■ MUNICH

Staatsoper 19.30 Michael Boder conducts Krzysztof Penderecki's new opera Ubu Rex, staged by August Everding and designed by Roland Topor. The cast is led *by Robert Tear and Doris Soffel*, also Fri. Tomorrow: Don Giovanni with a cast including James Morris, Ruth Falcon, Kurt Moll and Kurt Streit. (221316)
Philharmonie 20.00 Dimitri Kitaenko conducts the Munich Philharmonic Orchestra in music by Prokofiev and Rakhmaninov. Repeated daily till Sun (48098 814)
Prinzregententheater 20.00 Nikolaus Harnoncourt conducts the Concentus Musicus Wien in an all-Mozart programme, including arias sung by Eva Mei (299901)
Herkulessaal der Residenz 20.00 Christoph Stepp conducts the Munich Symphony Orchestra in two symphonies by Haydn, plus Frank Martin's Jedermann monologue, with Thomas Quasthoff bass soloist. Tomorrow: recital by Heinrich Schiff, accompanied *by Tzimon Barto. Fri: Christa* Ludwig sings Lieder. Sat Mozart's Requiem (299901)
Kammerspiele 19.30 Botho Strauss' play Schlusschor, directed by Dieter Dorn. Fri: Samuel Beckett evening. (23721 328)

■ NEW YORK

THEATRE

● Park Your Car in Harvard Yard: Jason Robards and Judith Ivey star in a two-character play by Israel Horovitz, focusing on the relationship between an irascible retired school teacher and his live-in housekeeper (a former *student). Directed by Zoe Caldwell* (Music Box Theater, 239 West 45th St, 239 6200)
● On Borrowed Time: George C Scott brings his towering presence to (and is also director of) a revival of Paul Osborn's comic fantasy about a grandfather and *his orphaned grandson who* encounter Death in human form and trick him into climbing an apple tree (Circle in the Square, 1633 Broadway at 50th St, 239 6200)
● Pericles, Prince of Tyre: Shakespeare's romance, often compared to a medieval miracle play, *is the 19th installment of* Joseph Papp's Shakespeare Marathon, directed by Michael Greif and featuring Campbell Scott in the title role (Public/Newman, 425 Lafayette St, 598 7510)
● The Lady's Not For Burning: Christopher Fry's classic comedy centres on the relationship between a passionate young woman accused of witchcraft and a life-weary soldier. With Mark Allen and Elizabeth Mialqret, directed by Douglas Herdt (Theater 603, 311 West 43rd St, 971 8768)
● *Ticketron answers inquiries* and sells tickets (246 0102)

■ PRAGUE

The main operatic event this week is a new production of Otello at the Smetana Theatre on Friday, conducted by Martin Turnovsky, staged by Dominick Neuner, with Otoniel Gonzaga in the title role. The Smetana Theatre repertory includes two other recent productions, Entfuhrung tomorrow and Rienzi on Sunday. Tomorrow at the Smetana Hall, the Virtuosi di Praga give a concert including Dvorak's Czech Suite and Mozart's *Serenata notturna* (231 9164).

Pre-booking at city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38, 228714) and theatre box offices.

■ STOCKHOLM

Tonight and tomorrow at the Konserthuset, the Stockholm Philharmonic Chorus gives a programme of music by Orff and Edlund (244130). On Fri in the Berwaldhallen, Valery Gergiev conducts *the Swedish Radio* Symphony Orchestra in Schumann's Second Symphony and Tchaikovsky's Sixth. On Sat at 16.00, Birgitta Svenden gives a song recital with cello, piano and clarinet accompaniment (784 1800). The Royal Opera has Daniel Börtz's *new opera The Bacchantes* tomorrow, Sat and next Mon. The staging is by Ingmar Bergman (248240)

■ VIENNA

Staatsoper 19.00 Donald Runnicles conducts Don Giovanni, with a cast including Ferruccio Furlanetto, Gilles Cachemaille, Eva Johansson and Nancy Gustafson. Tomorrow: Der Rosenkavalier (51444 2960)
Musikverein 19.30 Heinz Wallberg conducts the Tonkunstler Orchestra and chorus in choral music by Mozart and Bruckner. In the Brahms-Saal, Robert Holl sings Lieder by Beethoven and Schubert. (505 8190)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

Eurosport
0800-0830 International Business report

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton
2130-2200 (Thurs) Talking Heads

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 *Inside business*
1540-1610 Your Money
1800-1830 World Business This Week
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Big science needs a hand

LAST WEEKEND's successful nuclear fusion experiment at the Joint European Torus in Oxfordshire is likely to generate a chain reaction of enthusiasm for fusion research, which may spill over into more support for international "big science" in general. With scientists planning several huge new projects – and preparing to lobby politicians for funds – the JET publicity could not have been better timed.

Fusion researchers themselves are meeting in Moscow this week to design the $5bn International Thermonuclear Experimental Reactor (ITER), a global project with funding from the European Community, the US, Japan, the Soviet Union and several smaller countries. Next week in Munich the European Space Agency holds its first council meeting since 1987; ESA has to decide whether to develop an independent European manned spacecraft or to continue to rely on the American Shuttle. And Cern, the European nuclear physics centre in Geneva, is planning to build a super-powerful atom smasher, the Large Hadron Collider, with which scientists hope to delve ever deeper into the fundamental particles and forces of nature.

For European scientists international collaboration is inevitable if they want to push research forward in fields such as space and nuclear physics. The equipment required has become too expensive for national facilities in Europe.

Grudging attitude

Even the US, scientifically the most nationalistic nation on earth, is finding it difficult to remain independent. The US government is desperate to persuade Japan to contribute more than $1bn to the Superconducting Super Collider (SSC), an $8.5bn, 54-mile particle accelerator to be built under the plains of Texas.

Since collaboration is the only way forward in several fields of science, it is time for the UK government to change its present somewhat grudging attitude to international research. By participating with more enthusiasm Britain could have more say in the way projects are run – and there is scope for improvement in all of them. At the same time, benefits would accrue.

JET, the only international laboratory sited in Britain, has brought measurable industrial advantages: UK companies won half of the £200m orders for its initial construction in the late 1970s and continue to benefit from service contracts. More important, the presence of 450 international scientists and engineers in Oxfordshire enhances the whole UK physics community. Most of them will depart after JET's final closure, scheduled for 1996, unless the UK government makes a determined effort to host its successor, ITER.

Fundamental knowledge

Fusion researchers say that on technical grounds a site alongside JET at Culham would be ideal. Unfortunately there are no signs that the government – terrified of the financial commitment it would have to make – is preparing to bid for ITER. Yet without a bold move of that sort by the government, physical sciences in the UK will not have a healthy future. Although no one knows quite what the relationship is between the decline of physics research in the UK and the decline of the country's physics-based industries – electrical engineering, electronics and computing – it is difficult to imagine that there is no connection.

But governments should not be looking for short-term industrial or strategic pay-offs as the main justification for contributing to international big science projects. The real reason is the pursuit of fundamental knowledge about the nature of the universe.

It is bound to be difficult to devise generally applicable criteria for supporting such projects, but the four tests that ITER meets are not a bad start: UK leadership, the existence of both a UK site and a team and the genuinely pioneering nature of the project.

By such standards, other collaborations such as the largely French-sponsored Hermes space plane, do not qualify. Clearly, every programme has to be assessed on its merits, but the British government's position should be imaginative and as generous as the country's economy permits.

A referendum for Scotland

THE government must think again about Scotland. Following last week's by-election defeat at Kincardine and Deeside the number of Scottish Tory MPs is down to nine, which makes the Conservatives the third Scottish party, after Labour and the Liberal Democrats. Every assessment of the likely outcome of the next general election further reduces the number of Scottish Tory seats, even assuming the party wins nationally.

If the equation is put in terms of parties that favour or oppose the maintenance of the current union under present constitutional arrangements, the score is: 63 for something between the nationalist cry for full independence and the Labour or Liberal Democrat version of a devolved assembly, nine for changing nothing. It is as near as anything political can be certain that that score will be even more lopsided after the election. This is partly a consequence of tactical voting; in terms of public support the latest System Three opinion poll puts the Scottish Conservatives at 23 per cent, one point behind the Scottish National party.

Yet, like England, Scotland is a nation. This was true before union in 1707 and has remained the case since. It has its distinct legal system, its superior educational tradition and a clear identity delineated by both culture and history. The contemporary upsurge in separatist feeling does, however, require some explanation. Part of it is frustration at 12 years of Conservative government over the heads of a Scottish majority of Labour MPs. Another part may be a natural waning of allegiance to the United Kingdom as the outward-looking empire that gave it a unifying glory has receded.

Regional autonomy

Most plainly, the prospect of regional autonomy within the European Community has coincided with the spectacle of the break-up of the Soviet Union and Yugoslavia. This has stimulated visions of escape from what many Scottish people regard as Britain's colonial stranglehold.

If a Conservative government is returned for a fourth time, while the Tories lose yet further seats in Scotland, the level of discontent up north will be impossible to ignore. The government is already unable to maintain a Scottish select committee of the House of Commons; after the next election it may become necessary to use English representatives to fill the posts in the Scottish Office. That would be a considerable irritant. A more important consequence would be the strengthening of the nationalists, probably at Labour's expense. Meanwhile, as several of them have already made clear, many Scottish Conservatives would themselves campaign for some form of home rule.

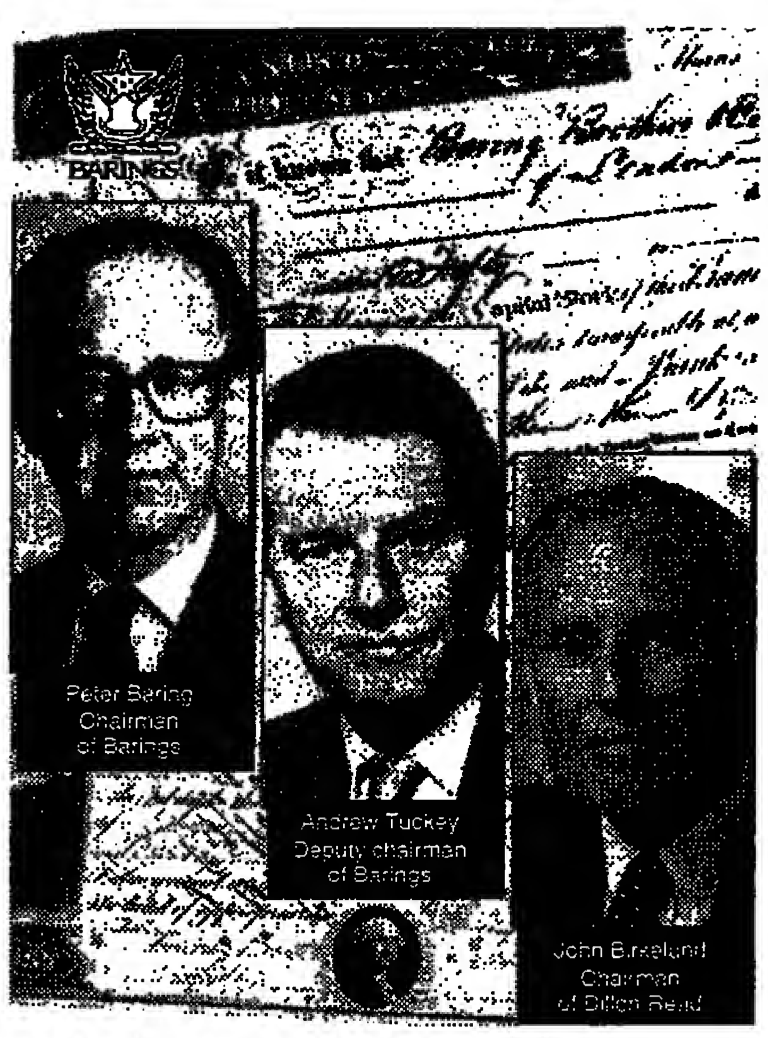
Fiscal implications

The question is, what form? The Scottish constitutional convention has produced a blueprint for an Edinburgh parliament with local tax-raising powers, but the Labour party, which promises to deliver this, has not thought through the national fiscal implications. Would English taxpayers be expected to continue their current level of subsidy to Scotland? Again, Labour is dodging the issue of Scottish representation at Westminster, which should be reduced by between 15 and 20 seats if constituency sizes are to be more equal. That would make it far more difficult for Labour to form a British government. The promise of regional assemblies in England, for which there is no clamour, is merely a device for avoiding this question.

Not one of these questions is easy to answer, yet if Scotland demands home rule all must be answered. Two forms of public inquiry suggest themselves: a royal commission, taking in both the Scottish and the United Kingdom aspects of the case, and/or an expanded all-party constitutional convention in which the Conservatives participate. Such devices should not be used to delay decisions. The Conservatives would do well to include one or another in their election manifesto. But when the talking is done, it would be best to give the Scottish people their say, in a referendum. If that offered home rule at the cost of Westminster seats and Treasury subventions, so be it.

FT writers on the link-up between Barings and Dillon Read

Blue-blood marriage


Peter Baring Chairman of Barings
Andrew Tuckey Deputy chairman of Barings
John Birkelund Chairman of Dillon Read

The names of Barings of the City of London and Dillon Read of Wall Street are synonymous with conservatism in merchant banking. They are two of the oldest firms in their respective markets and pride themselves on retaining the traditional closed culture of the partnership, which critics say verges on the snobbish.

So Barings' plan to take a 40 per cent stake in Dillon Read – which has been rumoured on both sides of the Atlantic for weeks but was confirmed for the first time yesterday – looks like an ideal union. In theory, both parties are winners from the deal.

Dillon Read's executives, led by the chairman Mr John Birkelund, wanted to buy their business from the owner Travelers Corporation, the US insurer which has been in the process of reorganising to eliminate losses. With the financial support of Barings, they are now able to win back the firm's independence. For the past 11 years it has been passed between a series of different parents, following the decision in 1981 of the Dillon family to sell its majority holding.

As for Barings, the relationship with Dillon Read should give it access to the biggest market for corporate advice in the world. Its relationship with a leading Wall Street firm will be matched by only one other UK merchant bank, Lazard Brothers, which is linked to Lazard Frères in New York through a complicated shareholding structure.

However, Mr Andrew Tuckey, deputy chairman of Barings and architect of the deal, is conscious that he is breaking with 229 years of tradition: "We have never done anything like this. We have usually chosen to grow our businesses from scratch."

In this case, Barings is choosing to make a big investment – $78m in a mixture of ordinary and preferred shares – in a company which is only 70 years younger than itself. Dillon Read was set up in 1832 and has been as dominating an influence on the development of Wall Street as Barings has been in the City of London.

Indeed, Mr Tuckey will be conscious that his bank is taking its biggest risk since it was rescued by the Bank of England 101 years ago almost to the day when it faced losses of £250m at today's prices. If Barings had collapsed then, the consequences for the City would have been catastrophic as it would have brought down several other banks.

If its investment in Dillon Read goes wrong, the damage will be limited to its own balance sheet. Barings is a comparatively profitable merchant bank which has undergone a renaissance over the past five years. But it is not the force it was in the 19th century, when in one celebrated deal it arranged the "Louisiana Purchase" by the fledgling United States from the French.

Dillon Read's heyday was probably the 1920s, when Mr Clarence Dillon, the firm's chairman, was the leading banker to the Weimar republic. If Dillon Read has outshone Barings in one respect, it is in grooming politicians. The current Treasury secretary, Mr Nicholas Brady, was the firm's chairman until 1988; other alumni of the firm include Mr Douglas Dillon, another Treasury secretary in the 1960s and Mr James Forrestal, a former defence secretary.

Mr Birkelund says Barings suggested the deal to Dillon Read. In September, he received a telephone call from Mr Tuckey, whom he had known for three years. "Tuckey asked me to stop in when I was next in London."

Mr Birkelund says he referred the call to Travelers and, "given their present condition, they became more interested in selling Dillon Read and encouraged me to pursue the Barings matter".

The two firms have much in common. Both carry weight as advisers to companies in their respective countries on mergers, acquisitions and issues of securities. Barings' leading clients include Allied-Lyons, the brewer and food group, Wellcome, the pharmaceutical company and Pearson, owner of the Financial Times.

Dillon Read prides itself, in the same way as Barings does, on forming long-term relationships with clients, rather than being "deal-oriented", or obsessed with generating transactions. Its customers include the US brewer, Anheuser Busch, Honeywell, the computer company, and H J Heinz, the food manufacturer. In the past 10 years, its most prominent role was in advising RJR Nabisco, the tobacco and food group, in Wall Street's most highly priced takeover struggle, which led to the $25bn leveraged buy-out of the group.

Though both firms may not be as powerful as they once were, they have not fallen on hard times. Barings, for instance, made pre-tax profits of £42m last year – when it disclosed fully its profitability for the first time – well down from the £65m of 1989. This still represented a 22 per cent return on capital – well ahead of most others in the industry.

Dillon Read, by comparison, has made an average return on its capital over the past five years of 23 per cent, or about $25m a year after tax, said Mr Tuckey. However, although its precise earnings in 1990 were not disclosed, analysts believe they were 40 per cent lower than the previous year.

Part of the reason for the comparative resilience of their profits is that each bank largely resisted the stampede into securities trading, a consumer of capital that in recent times has produced scant returns in the UK and volatile earnings in the US. "We've both stuck to our knitting," said Mr Tuckey yesterday, arguing that the cultures of the two banks are similar.

However, both have made limited forays into specialist securities trading. Barings has found a noteworthy success in its five-year-old subsidiary, Barings Securities, which has committed less capital than many competitors but set up a profitable south-east Asian business, particularly in Japan.

Mr Tuckey says that the attraction to Barings of linking up with Dillon Read is that cross-border mergers and acquisitions are forming an increasing part of the takeover market, so a foothold in the US is essential for any adviser with pretentions to serving international companies.

"A successful US corporate finance business has eluded most UK houses," he says. Barings tried to set up an operation from scratch but Mr Tuckey says all it succeeded in doing was to generate "a large overhead in New York which at best breaks even".

The hope is that when Dillon Read's clients want to buy something in Europe, they will go to Barings for advice. And when Barings customers are interested in US deals, they will use Dillon Read. But Mr Birkelund says the two firms will maintain an "independent posture", though they will have directors on each others' boards.

Nonetheless the amount of business which flows across the Atlantic between Lazard Brothers and Lazard Frères – which Mr Birkelund sees as the model for the deal – is limited. Mr Tuckey says, however, that the amount of business passed between the two Lazard houses is increasing.

So although the link is attractive in theory, relationships between firms based on minority shareholdings, where neither firm has control over the other, do not often work out so well in practice. They rely on the goodwill of executives in both firms. But Mr Tuckey says: "We have no illusions about it. We're not being starry-eyed."

Mr Tuckey and Mr Birkelund are undoubtedly intent on making the relationship work. "We could have done a management buy-out with quite a number of people," says Mr Birkelund. "When news of our talks with Barings first leaked in the press our telephone was ringing with offers from various interested parties." But he was convinced that Barings was preferable.

The amount of cross-border business generated will depend on the the co-operation of more junior directors. A certain discontent has emerged even before the deal is completed. When two Dillon Read executives based in London, Mr Lorenzo Weissman and Mr Christopher Kemble, first got wind of it they thought about quitting – though in the end were persuaded to stay.

There is also a risk of tension developing between the firms if either Mr Tuckey or Mr Birkelund leaves or if one firm is perceived as a drain on the other. So the agreement between the two sides allows for Barings to take its holding above 50 per cent in certain circumstances. But Mr Tuckey laughs off any suggestion that this will happen. "Our intention is not to take control," he says. The City and Wall Street will be watching to see whether such good intentions survive.

By Robert Peston and Richard Waters in London, Alan Friedman and Nikki Tait in New York

Striding to the market

Alexander Nicoll on Vietnam's economic renovation programme

If the Vietnamese could point to one good thing about Washington's refusal to do business with them, it would be this: their isolation is allowing them to prepare for the economic boom they confidently expect.

The US ban on diplomatic and business links prevents Vietnam from receiving significant outside help in following the free-market path upon which the Communist government embarked five years ago. It also reinforces the defiant determination of the Vietnamese to lift the country out of poverty.

Thanks to the government's economic renovation programme, Vietnam is well placed to compete for investment with its dynamic south-east Asian neighbours, and immeasurably better off than Cambodia. When Prince Sihanouk makes a triumphant return to his former kingdom tomorrow, he will find it sadly lacking a political, administrative and economic framework.

In contrast, Vietnamese economists can readily point to successes so far: the freeing of peasants to lease land and farm it for their own benefit has made the country self-sufficient in food and a significant rice exporter; the ending of price subsidies and freeing of the private sector has encouraged a boom in commercial activity; private housing is springing up everywhere; government repression has relaxed; foreign investors are interested.

But a formidable amount remains to be accomplished if an economic miracle is to occur, unlocking the tremendous potential of Vietnam's agricultural and mineral resources and its hard-working, literate labour force.

The United Nations Development Programme estimates that to support the adjustment process Vietnam needs official aid disbursements from the west – excluding International Monetary Fund and commercial lending and private foreign investment – of $4bn to $5bn over five years, compared with an annual flow of about $150m now.

The first target for aid would be the country's dilapidated transport system. Poor infrastructure – roads, ports, railways, communications and power supplies – severely limits the scope for economic development.

Second, aid would finance purchases of fertilisers, insecticides and agricultural machinery needed to maintain agricultural progress. Third, it would assist the re-equipment of industry. Though many factories have improved efficiency and quality, there are limits to what they can do with obsolete machinery.

The fourth target would be projects to provide employment for thousands being put out of work. State enterprises are slashing workforces because of the withdrawal of government subsidies, and the armed forces are being halved to about 600,000.

Mr Nguyen Mai, spearheading the drive for foreign investment as vice-chairman of the State Committee for Co-operation and Investment, identifies three further areas in urgent need of attention: the legal system, bureaucracy and the banking system.

The gaps in the legal system, and the bureaucracy in which government measures can become ensnared, are evident. Laws take a long time to pass and implementation is poor. Communist party officials are discussing amendments to the constitution which would, among other things, allow state enterprises to be privatised.

More glaring is the absence of a banking system. State enterprises absorb virtually all available credit at interest rates below what banks pay to depositors.

Banking reforms would be only part of a revamping of the economic structure designed to channel capital to private enterprise and unlock the savings within Vietnam – now kept as much as possible dollars or gold, or spent on consumer goods – to boost development. The government plans a stock exchange, and has instituted foreign exchange trading sessions. Further efforts are needed to curb inflation, running at about 4.5 per cent a month.

Vietnam wants to realise its industrial and mineral potential. Mr Tran Lum, minister of heavy industries, is bursting with ambitious plans for steel mills, vehicle plants, electronics, an oil refinery, power plants and mining projects. None of these can be tackled without foreign investment, and some would not be viewed as the highest priorities by international agencies.

Meanwhile, Mr Lum must continue to tackle inefficient state industries, assessing whether a plant with obsolete products and machinery can be switched to new products or new ownership, or should be allowed to close.

There remains the unanswerable question: how will the one-party state cope with the political pressures which its economic reforms may unleash? Increasingly, ministers and officials stress the Communist party's nationalist rather than ideological roots. Its commitment to economic reform as the only means of improving living standards should not be underestimated.

The 68-year-old former editor of the Communist Review, Mr Ha Xuan Truong, says: "There are still some opponents of reform. But the number is not very large, and most of them are old revolutionaries, the same age as me. But I don't belong to them."

The FT's first survey of Vietnam will be published tomorrow

OBSERVER

Fading reputation

■ Mention Dillon Read and the name Nicholas Brady invariably crops up. Nick Brady, the current US treasury secretary, is one of the firm's grandest alumni. But just as his old firm is no longer on a par with old rivals like Morgan Stanley, so Brady himself is not regarded in the same league as previous US treasury secretaries like Douglas Dillon.

With his low-key, even awkward, style, Brady suffered considerably by comparison with his predecessor at the Treasury, the smooth-talking deal-maker James Baker. His detractors describe him as a man not excessively interested in detail, and his congressional critics are a good deal ruder.

Just about his only real asset in Washington has been his close ties to the President which date back to their college days. Photographs of vice president Bush used to grace the walls of Brady's New York office and the former Dillon Read boss was once quoted as saying: "If you ask me who I would most like to spend the weekend with . . . I'd say George Bush."

However, with the US economy still in trouble and Brady's own sweeping banking reform proposals stalled in Congress, being a friend of the president is not enough to save his reputation.

Douglas Dillon, himself a Republican, started out under Eisenhower, but had the unusual honour of then being asked to serve under two Democratic presidents, Kennedy and Johnson. Brady is not in the same league.

Junk junked

■ We all know how infuriating it is to receive endless streams of junk mail. It clutters up the hall, is nasty to trees, and its only real use is as chopped-up paper bedding for the horse's stable – and how many of us have those?

But we now have a chance to halt the flood of "direct mail marketing", as the trade euphemism has it, thanks to an initiative by the Institute of Practitioners in Advertising.

The Institute, comprising 22 direct marketing agencies and 5 trade associations, has just launched a natty booklet entitled "Where Did They Get My Name?"

In 18 sensibly-written pages, it tells you how your name gets onto direct mail lists; but much more useful, it tells you how to remove it – just write to the Mailing Preference Service in London.

The IPA plans to bring out other such pamphlets on consumer concerns. It's also taking its own advice – no-one will be junk-mailed a copy of "Where Did They Get My Name?"; to get the pamphlet you must write to the IPA at 199 Knightsbridge, London SW7 1RP.

Academic love-in

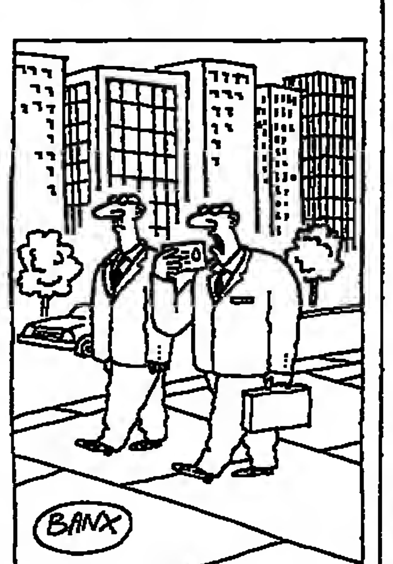
■ The presentation tonight of the Amex Bank Review Awards should be one of the high points of the economist's calendar. But it is difficult to avoid the conclusion that this annual essay competition, now in its fifth year, has yet to get fully into its stride.

The competition is richly endowed, with the top three prizes worth $25,000, $10,000 and $5,000 respectively. But is it really fulfilling its goal of promoting new writing and analysis on current international economics and financial issues?

This year's winner, Professor Jeffrey Frankel of the University of California, Berkeley, worries away at that hardy perennial "Is a Yen Bloc forming in Pacific Asia?" before concluding that if so, it is not the result of deliberate Japanese policy but more an outcome of US pressure to internationalise the yen.

Indeed, there is something slightly incestuous about Frankel's prize-winning essay.

Frankel takes as his cue an assertion by fellow economist Rüdiger Dornbusch that "Japan will be driven to form her own trade and finance zone in Asia" which he then proceeds to analyse and qualify. And it just so happens that Dornbusch is one of the panel of 10 who judged the contest.



"I promise to pay the bearer on demand the sum of 20 ecu— or maybe not"

Old boys'club

■ The longest serving member of the board of directors of the Bank for International Settlements has just been promoted. Lord Richardson of Duntisbourne, who governed the Bank of England between 1973 and 1983, has been appointed vice-chairman of the board of the central bankers' bank in Basle.

However, his elevation does not mean that he is likely to get a shot at the top job, even in the unlikely event of the current chairman, Sweden's Bengt Dennis, being booted out of office. It seems that the BIS likes to pick its chairmen from the ranks of its smaller members. There is less chance of them falling out, and even if they do, it does not matter as much.

Lord Richardson, less than a fortnight away from his 76th birthday, replaces the 78-year-old Bernard Clappier, honorary governor of the Bank of France, who is staying on the board. Just why central bankers like to go on working so much longer than most normal mortals remains a mystery.

However, Observer hears that even Richardson, chairman of Morgan Stanley International, has been lightening his work load lately. He has handed over the chairmanship of the Group of 30, the international bankers' think tank, to the relatively spritely Paul Volcker, 64, the ex-Fed chairman, but will retain a honorary role.

New girls

■ Little known fact from the department of useless information. Four of the eight women who have been awarded the Albert Medal by the Royal Society for the encouragement of Arts, Manufactures and Commerce have been Queens of England. Today sees that rather good egg, Baroness Seear, the liberal democrat peer, join Madame Curie, Dame Ninette de Valois and Baroness Jackson as a member of the select band of women who have not won the prestigious award just because they are members of the Royal family.

With one voice

■ According to an AP-DJ wire story yesterday, European Community leaders are expected to sing the monetary union treaty at a summit meeting in Maastricht, the Netherlands, on December 9-10.

Striding to the market

Alexander Nicoll on Vietnam's economic renovation programme

Time to muster a sense of history

One year after his devastating resignation speech, Geoffrey Howe reflects on Britain's place in the EC

The farewell to high office: Sir Geoffrey delivering his resignation speech to the House

Crunch points in Britain's relations with the European Community require the participants to get the balance right between the small print and the huge tides of history seldom far below the surface. The Maastricht summit looks like being another of those difficult moments when Britain's prime minister and foreign secretary will need to make crucial judgments of that kind.

This time, the small print is significant: whether the word "federal" appears; how the powers of the European Parliament are to be increased; how many specific policy areas are subject to qualified majority voting; and so on. However, it is an appreciation of the grand ideas that is generally key to the successful handling of European Council meetings. Making this more difficult is the fact that there can be – as now – very different perceptions of those same ideas.

These are the real hazards John Major and Douglas Hurd need to prepare for ahead of Maastricht – indeed even sooner, ahead of next week's House of Commons debate. It is of the utmost importance that there should be no misunderstanding – in parliament or in a European Council – of the scope and purpose of the negotiations, and of the government's real and realistic objectives and sticking points.

This is not, of course, to argue that every card should be face upwards ahead of the game. But the Commons must, for example, understand and accept the dynamic nature of these negotiations. The misconception that is most misleading, indeed dangerous – and which the government must be sure to dislodge – is that Britain (or any other country) can really exercise a veto over most, if not all, of the agenda others have in mind. There is nothing in EC law to prevent a group of countries pressing on with a separate treaty, embodying policies that run ahead of those of the Twelve as a whole.

The Rome Treaty itself committed its members not to a static set of propositions, but to a process – to a continuing relationship. "We are not making a machine," Winston Churchill once said. "We are growing a living plant." Hence the key objective in the treaty: the creation of an "ever closer union of the peoples of Europe". It is simply untrue to say we joined a rigid and exclusively economic club, with no element of ongoing political integration.

This does not mean we are irretrievably committed in advance to an open-ended diet of "Euro-federalism". What it does mean – and this is Mr John Major's key insight – is that if we are to have a decisive influence on the debate about European structures, then we do need to be, in his phrase, "at the heart of" that process. And Mr Major sees too, with his instinct for collegiate government, that we cannot be influential in that way unless we have convinced our partners that we are working with them, with a common purpose, and in good faith.

Once these doubts are overcome, it becomes easier to secure a workable outcome to the question of, for example, a common foreign and security policy. Parliament is clear, and should remain so, that the government will not accept the delimitation of key foreign policy or defence objectives by majority vote. But our partners need equally to be persuaded that this government endorses the case for a single, strong European policy in support, for example, of an effective ban on arms sales to Yugoslavia.

Certainly last week's Nato summit pointed the way to a Maastricht solution along practical lines of this kind. Nato will remain fundamental to European as well as north American security. The input of European strategic thinking will increasingly be shaped by the now almost continuous gatherings of Community foreign ministers. And a distinctive European defence capability will develop under the auspices of the Western European Union – the *de facto*, but not yet *de jure*, subsidiary of the EC itself.

The balance is, of course, very different if one considers the management of "social Europe". In this regard, wide extensions are proposed both of Community competence and of majority voting. This surely goes a bridge too far.

This dispute crucially concerns the very nature of the Community we are trying to create. Conservative ministers and members of parliament alike attach real importance to the right of each nation to settle its own law on industrial relations, Sunday observance and so on. The Labour party for the moment affects to take a different view. Its tune would be very different if it feared the imposition by Brussels of "Thatcherite" social policies. Spain's prime minister, Felipe Gonzalez and the former Greek leader Andreas Papandreou certainly argued this "subsidiarity" case with vigour. It is one that deserves to be upheld as a matter of principle.

On the prospect of extending the powers of the European Parliament, there is scope, I suspect, for more common ground than has so far appeared. It is as absurd to argue that the Council of Ministers has no democratic legitimacy as it is to assert that the European and national parliaments are engaged in a Darwinian struggle for power.

The Council of Ministers can remain the Community's basic legislature but allow the European Parliament a bigger say in areas when majority voting applies. Here "control" by national parliaments has long been less than fully effective.

Most important, it is vital to retain a positive approach to the key issue of monetary union, where the text-mongers appear to have come closest to achieving an agreed formula. That agreement could yet prove deceptive, since it is, most of all, in the the area of Emu where Westminster colleagues may yet be tempted to upset the political apple-cart in the interests of defending an outdated notion of sovereignty.

Fortunately, almost all the mechanisms for a single currency – most vitally, a more or less independent European central bank and suitable transition procedures to Stage Three of Emu – have been satisfactorily defined. Even the so-called "British question" – in its current form – appears to have been accommodated. National parliaments will retain, if they wish (and Westminster does), the right to a separate, later vote on the establishment of a single currency. The particular solution now commended by the Dutch may yet prove unacceptable to others. Hence the proposed "solemn declaration", whereby every country except Britain commits itself to speedy establishment of a single currency when the time comes to move to Stage Three.

Mr Major, understandably, has maintained our stand against the "imposition" of a single currency. But that, in a way, never was the central question. The real question – for the British people, for parliament, as well as for our partners – is whether or not we shall be ready, assuming things proceed smoothly, to accept the opportunity of joining an Ecu zone, which already looks likely to embrace almost all continental Europe.

It is not an easy question, of course. But it is the question posed now, not just by Britons and Europeans but by financiers and investors around the world who already see the future in those terms. And this is the question Nicholas Ridley – and he is not alone – would have us answer plainly and forever, "no".

Mr Major's Guildhall speech makes plain he would not go along with that. Nor would the bulk of the cabinet or of the Conservative party in parliament. Many are quite ready to accept the case for a single currency on the merits and in its own right. Even more can see the case against Britain being the only major non-participant in a European zone of currency stability.

Almost all now recognise that Britain on its own has, and can have, no veto on the intentions of our partners in the monetary field. The fact is we cannot, even if we wished, stop the others going ahead. But we can ensure that we get left behind, quite possibly under a Labour government.

So the prime minister has done well to indicate our possible willingness to participate fully in Emu if it develops as we should wish. There are solid advantages in that approach – and not least in the extent to which it strengthens our hand in resisting those other parts of the Maastricht agenda, that we need, rightly, to withstand.

Sir Geoffrey Howe was UK chancellor, 1979-83, foreign secretary, 1983-89, and leader of the Commons, 1989-90.

Edward Mortimer

A tougher opponent than Saddam

It may be too much for Palestinians to expect President Bush to save them from Mr Shamir

FOREIGN AFFAIRS

It is hard not to feel encouraged by the reception given to the Palestinian delegates on their return from Madrid to the Israeli-occupied West Bank on Sunday. Clearly a large and well-organised part of Palestinian society has taken the peace process to its heart. If that were seen, understood and reciprocated by the Israelis there might be some real hope that the process will lead somewhere.

Yet all reports make it clear that another large section of Palestinian society, which for the moment is keeping its head down, does not expect any good from the process and regards those taking part in it as at best fools and at worst traitors. That section will rapidly re-emerge as the dominant one if, as seems all too likely, the expectations aroused are not fulfilled.

What has excited the euphoria has been the simple fact that a Palestinian delegation was able to sit in the conference chamber with the US president, and to express Palestinian national grievances and aspirations directly to the face of the Israeli prime minister. To those Palestinians who poured into the streets of Ramallah to press olive branches into the hands of astonished Israeli soldiers this meant that it is now only a matter of time, and probably quite a short time, before Israel withdraws from the West Bank and Gaza and they are able to have their own state – linked to Jordan no doubt, but independent, just as the Palestinian delegation was independent in its behaviour, even though formally yoked to that of Jordan.

That is certainly not what Mr Yitzhak Shamir intends, or what anyone else on the Israeli side expects. The focus of Israeli reporting on the Madrid conference hall was on Mr Shamir's firmness, his clash with the Syrian foreign minister, and the studiedly neutral speeches of President George Bush and his secretary of state.

It is true that the Israeli government shows some signs of irritation about the prestige acquired by the Palestinian delegates. Mr Yossi Amiheir, Mr Shamir's chef de cabinet, reminded them firmly on Sunday that for the next five years at least, "Judea, Samaria and Gaza are still under Israeli rule and we determine what happens here".

The trouble is that he is right, and this does not mean that the status quo is frozen for five years. Far from it. Israeli settlement and confiscation of land continues apace. In "Judea and Samaria" alone (ie: the West Bank excluding east Jerusalem, the latter being counted in Israeli statistics as part of Israel) the government estimates that by next April the Jewish population will be 250,000. More than a third of all new Israeli housing next year is to be built on occupied land.

Mr Shamir has no intention of halting, let alone reversing, the West Bank settlement process

It can be taken for granted that Mr Shamir has no intention of halting, let alone reversing, this process. He has consistently opposed giving up any territory that Jews have once conquered, ever since the 1940s when he was a leader of the Stern Gang. The most he can be expected to concede to Palestinians is the right to police themselves within their own towns and villages; not to control the allocation of land or water, and still less to enforce law and order on the Israeli settlers.

But is there hope that the Israeli electorate can be persuaded to disavow Mr Shamir's hard line in the interests of peace? Mr Boaz Evron, a veteran and usually isolated Israeli advocate of the two-state solution now officially favoured by the Palestinians, wrote in the newspaper Yedioth Ahronot on October 18: "Individuals, whom I perceived as zealous followers of Likud, have been turning to me in the last two weeks, asking with concern in their voice: 'Tell me, what do you think is going to happen?' When I restate the positions of the Israeli left to them, they nod their heads in agreement: 'Right, this is the only logical solution. We should let Palestinians have their state and make peace.'"

That was in the midst of the bitter argument over Mr Bush's success in getting Congress to delay consideration of Israel's request for a $10bn loan guarantee – an alarming sign for the Israeli establishment that its legendary power in the US political system was beginning to slip.

This unusual display of American firmness in dealing with Israel must have helped bring Mr Shamir to Madrid, and helped keep him there in spite of the way the Palestinian delegates were allowed to flaunt both their independence from Jordan and their connections with East Jerusalem and the PLO. But it will take more than this to get the process of settlement and confiscation stopped, since that is central to the Zionist enterprise as Mr Shamir understands it.

In challenging Mr Shamir, Mr Bush has taken on an opponent at least as tough as Saddam Hussein, probably not much less ruthless, but shrewder and above all far better placed to inflict political damage on an American leader. So far the US president has played his cards with remarkable coolness and skill, neither flinching under the predictable barrage of accusations of anti-semitism and grotesque analogies with the Holocaust, nor losing his temper and so putting Mr Shamir in the right.

But the game is only just beginning, and already Mr Bush has raised hopes on the Arab side which he will find it very hard to live up to.

LETTERS

The true price of EC membership

From Mr Austin Mitchell MP.

Sir, The British official, to whom Mr Jacques Delors likened the foreign secretary, was right when he predicted in 1955 that the establishment of the EC would prove a disaster. It is the would-be emperor who is wearing no clothes.

The average rate of economic growth in the Six fell after 1958. What Professor Roepke described in 1958 as Gresham's law of customs and economic unions ensured that bad policies drove out good. The exchange rate mechanism, the common agricultural policy, the common fisheries policy and the Airbus fiasco are the prime examples of such policies.

Jacques Delors' commitment as French finance minister to ERM membership put nearly 3m of his countrymen permanently out of work and installed a deflation which is still going on leading to constant cuts, the CRS used against nurses, and ministers unable to leave Paris without police escorts.

A worse fate lies in store for us because the pound is overvalued and there is no escape from this depression unless we can devalue and get interest rates down to 5 per cent. Europe needs a realignment. We need unilateral action.

The UK economy performed better outside the ERM in almost every respect than any of those of the Six. Their average rate of economic growth fell in 1979-89 by nearly two-thirds compared to the decade ending in 1973, the year their currencies were first linked. Unemployment in the Six has increased nearly fivefold to 7.8m as a result, creating a fertile breeding ground for fascism.

Every EC country, as well as the world as a whole, would now be far better off if the EC had never existed. Here the cost of membership to date includes the destruction of nearly 3m British jobs in manufacturing, an increase of nearly £14bn in the cost of food and a net contribution of £2.7bn to the EC budget at the expense of our health and education services. We would have done better staying in Efta.

Austin Mitchell,
House of Commons,
Westminster, SW1

Disaster response does not add up to conspiracy

From Ms Lynda Chalker.

Sir, I cannot ignore the letter from Ms Hurtado of the World Development Movement (November 9).

Ms Hurtado sees a conspiracy in the way we measure the year-on-year increase in aid spending, because we compare planning figures with planning figures. It is true that substantial extra funds were made available this year; that often happens when we need to make a response to a disaster, like the crises in Iraq, Bangladesh and the Horn of Africa. Such events, though sadly all too common, are unpredictable. We cannot budget for them. Let us compare actual figures, but only when we know what they are!

Nor can I accept the bald assertion that our aid is "a mere 0.27 per cent of GNP today". That is the figure produced by the OECD for 1990. Like all statistics, it is correct only so far as it goes. We have averaged 0.30 per cent of GNP during the last five years, and on planned figures, I expect us to be at 0.31 per cent of GNP for 1991-92.

Lynda Chalker,
Overseas Development Administration,
94 Victoria Street, SW1

North-south divide must affect business planning

From Dr John Rigg.

Sir, Edward Balls's commentary on the disparities in regional economic performance in the 1980s ("Recession cannot close the divide", November 8) is correct to point to the composition of regional output as a key factor explaining the widening gap in disposable incomes in the "north" and "south".

This gap has been reduced since 1989 by the disproportionately severe effect of high interest rates on households and companies in London and the south-east. Couching his analysis in the standard regional framework, Balls inevitably fails to consider the implications for business planning of the widening intra-regional variations in prosperity and opportunity.

It has long been recognised that "north-south" can be an inappropriate over-simplification of the spatial dynamics of Britain. Unemployment is twice as high in Sittingbourne as in Galashiels. Average household disposable incomes in north Yorkshire exceed those in Devon. The limitations of the straightforward division based on manufacturing versus services are revealed by an appeal to the Department of Employment data. Manufacturing accounts for a higher proportion of employment in Hitchin than in Sheffield.

The geographical distribution of prosperity in the 1990s will be determined as much by the characteristics of the individual town or city as those of the broader region.

Businesses are becoming increasingly sophisticated in their examination of the variations within – as well as between – the regions in the respective supply side "offers", as determined by the availability of skilled labour, access to the national and international transport infrastructure, the price of industrial and commercial property, and the range of factors constituting the "quality of life".

On the demand side, the scope for local marketing is being enhanced by technological developments and will be revolutionised if a city-based Channel 5 is established. The next decade will see heightened competition between towns and cities for all forms of economic activity.

All this suggests that regional analysis is a starting point for detailed investigation at the local level. As long ago as 1989, the Henley Centre listed Macclesfield and Harrogate among our "winners for the 1990s." The composition of this list covers the country as a whole – from Glasgow to Ashford, Inverness to Exeter.

John Rigg,
Regional Futures Unit,
Henley Centre,
2 Tudor Street,
Blackfriars, London

Let actuaries pass judgment on actuaries

From Mr Tom Shucksmith.

Sir, I was very sad to see the FT publish a letter by Mr David Hudson, a solicitor employed by William M Mercer Fraser Ltd (November 2). Mr Hudson criticised the expert judgment of Mr Bryn Davies, an actuary, on the basis that it was only a personal opinion.

As a solicitor, Mr Hudson is in no position to judge between the skills of Mr Davies and those of other actuaries.

One thing is quite clear: a great deal of heavyweight lobbying is going into trying to obtain the most favourable result for the pensions industry on equalisation.

I am completely independent of Mr Davies and probably hold very different political views, but I admire the courage of his professional convictions. He may well be closer to the truth than the lobbyists.

Tom Shucksmith,
Shucksmith & Co,
Lincoln House,
Nutley Lane,
Reigate, Surrey

Case for change in beet quota

From Mr M E Twidale.

Sir, I was surprised that Mr Paul Mirsky of Tate & Lyle felt the need to challenge David Richardson's case for an increased UK beet sugar quota ("Refined arguments go to Brussels", October 29). The UK is the only EC country which suffers a serious shortfall in quota production relative to consumption. Demand will strengthen as the single market develops. There is every justification for an increase in the UK beet quota, as was clearly recognised by Tate & Lyle during its attempted acquisition of British Sugar. The NFU is surprised its view has changed so radically.

M E Twidale,
chairman,
Sugar Beet Committee,
NFU,
Agriculture House,
Knightsbridge, SW1

Fax service

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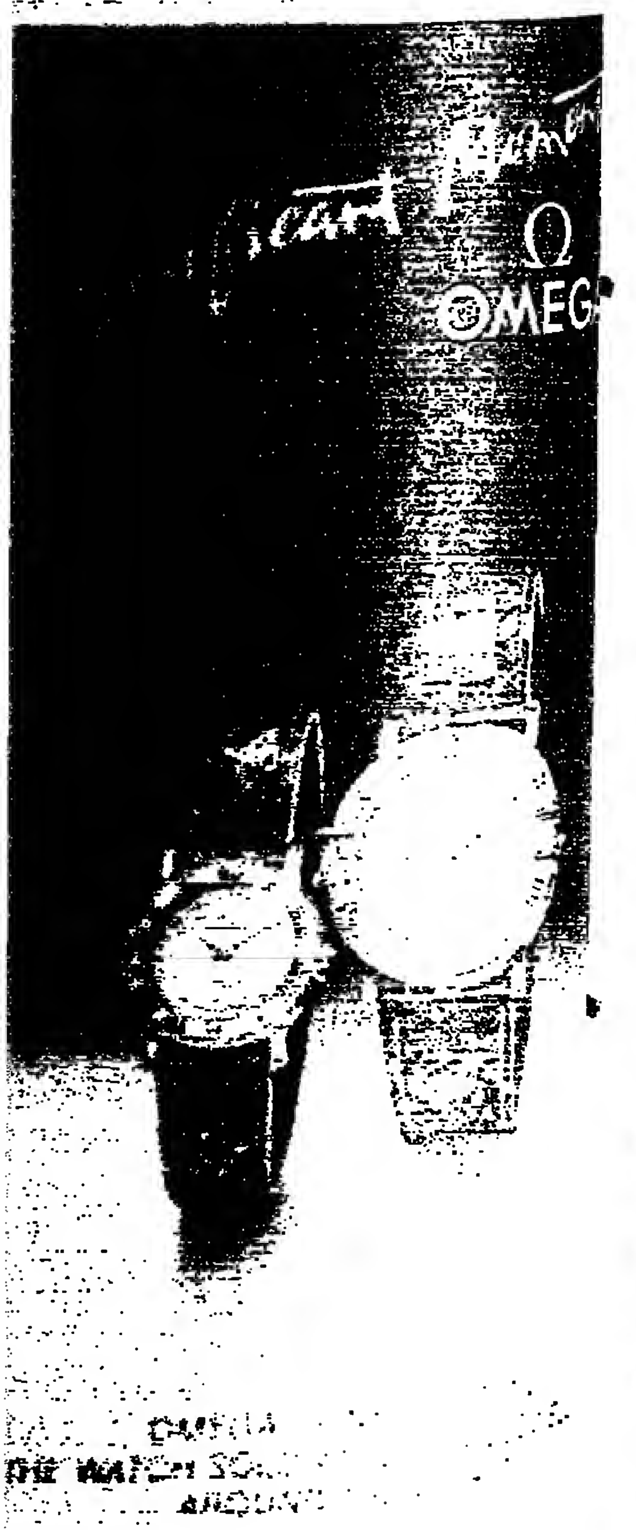


FINANCIAL TIMES
Wednesday November 13 1991

Croatian leader seeks new peace talks and orders end to blockade of army barracks

Army death toll mounts in Yugoslavia

By Laura Silber in Belgrade

FORTY-SEVEN federal army soldiers were killed in the besieged city of Vukovar in eastern Croatia in a single day of fighting this week between Croat, army and Serb paramilitary units.

News of the deaths, which emerged yesterday but which the Yugoslav federal army has not mentioned, confirms that the war is intensifying and that all sides are ignoring pleas by the European Community to honour any ceasefire.

In a letter to Lord Carrington, the chairman of the European Community-sponsored peace conference, Mr Franjo Tudjman, the president of Croatia, appealed yesterday for the resumption of the negotiations.

Lord Carrington, will travel to Belgrade to try to revive peace efforts, and the EC will ask the UN Security Council to call an emergency session to discuss the deepening crisis.

Mr Tudjman also said he had ordered the "unconditional lifting" of Croatia's blockade of federal barracks throughout the republic.

Dubrovnik's Imperial Hotel burns as federal army shells continue to fall on the city yesterday

The federal army has repeatedly demanded an end to the blockades, which for the past two months have cut off water and electricity to federal garrisons.

Western diplomats pointed out, however, that previous agreements to lift the blockades were not fulfilled. They added that they were concerned about the imposition of censorship on the domestic and foreign press in Croatia, as well as the atmosphere of war hysteria in Serbia.

In Vukovar, both Croatian radio and Belgrade radio separately reported that Croat forces were involved in house-to-house fighting with the federal army, while in the south of the republic federal soldiers continued to bombard Dubrovnik, the besieged medieval Adriatic port.

Croatian radio said that at least 22 people were killed in Dubrovnik over the past two days. EC monitors who are still trying to leave the port said that they saw several shells fall in the heart of the old city.

The army has repeatedly denied that its forces have ever struck at the area inside the walls of the historic city. General Dusan Zunic, a senior military officer, yesterday said in an interview that Croat forces had damaged it themselves.

However, he warned that "the army was losing its patience", stating that previous guarantees that the old town would not be harmed may have expired.

In Sarajevo, the capital of the central Yugoslav republic of Bosnia-Hercegovina, more than 100,000 people marched for peace. Mr Alija Izetbegovic, the Moslem president of Bosnia, said that "foreign military intervention would be a lesser evil than total war".

He made his remarks after Bosnia's Serbs, who make up 31 per cent of the population, overwhelmingly voted in a referendum at the weekend in favour of remaining within Yugoslavia.

Neighbouring republics pledge support for Chechen Ingushetia

Caucasus rebellion threatens to grow

By John Lloyd in Moscow, Chrystia Freeland in Grozny and Quentin Peel in Bonn

THE REBELLION against Russian power in the Moslem autonomous republic of Chechen Ingushetia yesterday threatened to engulf the Caucasus region as neighbouring republics pledged support and even armed assistance.

Fresh fears were raised about the loss of central control over the Soviet army as Azerbaijan and Georgia, two Caucasian republics which have both expressed support for General Dzhokar Dudayev, the Chechen Ingush president, said Soviet army property and weapons on their territory would be "nationalised".

Both the Georgian and Azerbaijani cabinets were reported to be about to open negotiations on the transfer of weapons to their own armed forces, which are now being formed.

Gen Dudayev said the leaders of Georgia, and of Tatarstan and Dagestan – two other autonomous republics in Russia with large Moslem populations – had pledged support. He also claimed that 300,000 Chechens, were now being formed into an army to confront an expected Russian attack and said Dagestan was offering to help co-ordinate a response to any Russian blockade.

Three unidentified Soviet generals were in Grozny, the Chechen Ingush capital, for talks with Gen Dudayev – though neither side would describe the purpose of their visit.

Mr Boris Yeltsin, the Russian president, said yesterday he would bow to the Russian parliament's resolution cancelling the decree by which he had sent troops to Chechen Ingushetia on Friday and declared a state of emergency there. He said he had always favoured settling the issue politically.

The moves by Georgia and Azerbaijan to nationalise the Soviet military hardware in their republics directly contradict assurances given on November 4 by Gen Yevgeny Shaposhnikov, the Soviet defence minister, that all the republics' leaders had agreed to keep a united military.

Gen Shaposhnikov warned yesterday against the break-up of the Soviet armed forces into separate armies of single ethnic groups.

Speaking in Germany, on his first foreign trip since his appointment as defence minister in the wake of the abortive coup in August, he sought to reassure his hosts that the central military command remains in control, at least of its nuclear weapons.

He said no republic in the union had expressed the wish to control its nuclear weapons. They had simply demanded to know where they were sited, and how many there were.

"This is a natural desire of the republics, and we gave them all the necessary information," Gen Shaposhnikov said. "But it is not the case that they try to demand the ownership of these nuclear weapons. I hope that is reassuring for you."

However, he admitted that the economic and national upheavals in the Soviet Union were also sweeping through the armed forces, requiring radical restructuring.

"There is a real danger of the 'nationalisation' of certain parts of the armed forces," he said, adding that any attempt to set up ethnically-homogenous units in the republics would be dangerous. He said it was agreed that the republics could form their own "republican guards" but urged that they should be drawn from a variety of nationalities.

Meanwhile President Mikhail Gorbachev warned of continued conservative efforts to win back control, using the deepening economic crisis as a lever.

"We must not be naive . . . they have not given up," he told a news conference called to launch a slim volume he has published on the August putsch.

Domino effect, Page 2

Paris seeks way to cut strikes in state groups

By William Dawkins in Paris

GERMAN-STYLE worker participation in France's state-owned companies is being considered by Mrs Edith Cresson, the prime minister, as a means of reducing the risk of strikes like the one that recently hit Renault for three weeks.

It is likely to be opposed, however, by the chairmen of the companies, which employ 11 per cent of the country's workforce. State intervention has been reduced in recent years and they are expected to argue that such restraints on management freedom will deter investors just after the government has cleared the way for partial privatisations.

Officials say Mrs Cresson's plan, still at an outline stage, would set up a two-tier structure comprising a management board and a supervisory board, half of which would be made up of staff and worker representatives. The supervisory board would be consulted on main strategic decisions, while the management board would handle day-to-day running.

This would replace and fortify the existing system, under which state-owned businesses are obliged to reserve at least a third of the seats on their boards of directors for workers' representatives.

Renault, which yesterday said it was happy with its worker consultation, has six staff-elected members on its 18-strong board. On top of this, all French companies with more than 50 employees have to set up works councils.

Mrs Cresson plans to apply a proposed European Community statute to achieve greater worker participation. The statute would give companies the legal right to choose from three models of worker participation: UK-style collective bargaining, French works councils and German-style worker participation. It has so far failed to attract the necessary support from Community member states, although the Dutch EC presidency is hoping to make progress.

Mrs Cresson said in a radio interview last week that she had been reflecting on ways to increase worker participation "for a long time".

The Renault strike has now reached a tenuous peace, although a related dispute is lingering on at an axle plant in Le Mans, where just 57 per cent of the employees turned up to work yesterday. Meanwhile, officials at the group's truck making subsidiary, Renault Véhicules Industriels, fear that disputes could still break out there.

German cash shortage hits space project

By Quentin Peel in Bonn

THE future of Hermes, the French-led European space shuttle project, is in the balance because the German government cannot find the funds to finance its share of development.

Mr Heinz Riesenhuber, research and technology minister, said in an interview he saw no possibility of going ahead without more money from his colleague at the Finance Ministry, Mr Theo Waigel. The latter agreed to provide an extra DM120m ($74m) a year until 1995, but Germany is still short of some DM1.1bn it is supposed to contribute over the next three years.

"Either the finance minister finds the money, or I see no possibility to make Hermes," Mr Riesenhuber said. "If we don't make Hermes, I would be very sad. I think it is a sensible and useful European project."

The issue was being debated by the Bonn coalition following urgent talks between the office of Chancellor Helmut Kohl and President François Mitterrand's staff in Paris.

It is certain to be high on the agenda of this week's Franco-German summit in Bonn, when France will press hard to keep Germany on board. Officials in Bonn, and Mr Riesenhuber himself, are pessimistic about the chances of agreement, however.

A final decision on whether to proceed with Hermes is to be made at the annual meeting of the European Space Agency in Munich next week. The shuttle is one of three large projects, the other two being the Ariane rocket programme and the Columbus manned space station.

"We are asking: is there a possibility to finance Hermes within the lower limits?" Mr Riesenhuber said. "France says there is no way Hermes can be made any cheaper."

Mr Riesenhuber has already proposed that the go-ahead for Hermes be limited to a purely "technological" programme, to verify the costs, without committing the participants – France, Germany and Italy – to building it. That has been rejected by France, and anyway, the German minister says his funds will not even stretch that far.

He said Germany was already rather disenchanted by the Hermes project, because the shuttle payload had been cut from three tonnes to one, while the costs had risen by 40 per cent. Original estimates put the cost at DM8.5bn, of which Germany was to pay DM2.3bn, or 27 per cent.

Bonn spares small savers

Continued from Page 1

gel added. The effect, he said, would be to stimulate saving.

The scheme, agreed by all coalition members, is expected to undergo some changes as it moves through the parliamentary process.

However, the basics of the package are expected to remain intact despite threatening noises from the opposition SPD, which claimed that the personal allowances were too high and that nothing had been done to prevent rich "cheats" from paying less tax than their due.

The new system is the refined successor of a 10 per cent withholding levy imposed briefly in 1987, and withdrawn almost immediately after an estimated DM80bn of capital poured out of the country.

Although the government is understood to have been unhappy about having to resurrect the levy, it was obliged to impose it in some form following the constitutional court ruling which said all income should be taxed on the same basis.

● The Finance Ministry said that it expected the total tax take from east and west Germany this year to increase to DM660bn, compared with DM567bn in 1990.

This is almost DM9bn more than official estimates issued in May.

Howe backs Major

Continued from Page 1

Despite the expectation that Mrs Thatcher will use the Commons debate on November 20-21 on the Maastricht summit to launch a broadside against any single currency deal, Mr Major underlined his determination to reach an accord with Britain's EC partners.

He said: "We propose to remain in the centre of the Community, framing the future of the Community, in the interests of this country and the rest of Europe"

As Mr Douglas Hurd, the foreign secretary, signalled Britain's willingness to offer concessions at this week's conclave in the Netherlands of EC foreign ministers, Mr Major added: "There is still some way to go before I could sign the political union treaty that's before us at the moment. There are still matters to be agreed on the monetary union treaty. But in both cases we are now making progress."

Sir Geoffrey offers his backing for the compromise over the increased powers for the European parliament signalled by Mr Hurd. He argues that: "The Council of Ministers can remain the Community's basic legislature but allow the European parliament a bigger say in areas when majority voting applies. Here 'control' by national parliaments has long been less than fully effective."

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	16	61	Berlin	C	7	45	Caracas	C	29	84	Faro	S	19	66	Islamabad	C	23	73
Algiers	S	23	73	Biarritz	S	19	66	Casablanca	S	21	70	Florence	F	5	41	Istanbul	F	16	61
Amsterdam	C	7	45	Bombay	S	32	90	Chicago	Sn	1	34	Frankfurt	C	7	45	Jakarta	C	30	86
Athens	S	20	68	Bordeaux	F	16	61	Cologne	S	8	46	Geneva	C	10	50	Jersey	F	9	48
Bahrain	S	27	81	Boulogne	S	9	48	Copenhagen	S	8	46	Gibraltar	F	18	64	Johannesburg	F	22	72
Bangkok	F	31	88	Brussels	S	7	45	Corfu	S	18	64	Glasgow	R	7	45	Lima	C	21	70
Barcelona	S	16	61	Budapest	C	4	39	Dallas	F	6	43	Helsinki	S	4	39	Lisbon	S	14	57
Beirut	S	24	75	Buenos Aires	F	17	63	Dublin	R	9	48	Hong Kong	S	21	70	London	S	10	50
Belfast	R	8	46	Cairo	C	24	75	Dubrovnik	-	-	-	Innsbruck	F	7	45	Los Angeles	S	14	57
Belgrade	S	11	52	Cape Town		-	-	Edinburgh	S	9	48	Inverness	S	8	46	Luxembourg	Fg	6	43

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	[illegible]	19	66	Milan	F	9	48	Nicosia	F	23	73	Salzburg	F	6	43	Tenerife	S	23	73
Madrid	S	[illegible]	[illegible]	Montreal	C	[illegible]	32	Oporto	F	15	59	San Francisco	S	11	52	Tokyo	S	15	59
Majorca	S	[illegible]	[illegible]	Moscow	C	2	36	Oslo	S	6	43	Seoul	F	10	50	Toronto	C	2	36
Malaga	S	17	63	Munich	C	7	45	Paris	Dr	8	46	Singapore	F	30	86	Tunis	S	18	64
Malta	S	19	66	Nairobi	F	21	70	Peking	S	15	59	Stockholm	F	6	43	Valencia	S	16	61
Manchester	C	7	45	Naples	S	15	59	Prague	F	6	43	Strasbourg	C	10	50	Venice	F	9	48
Manila	C	30	86	Nassau	S	25	77	Reykjavik	F	3	37	Sydney	S	24	75	Vienna	S	7	45
Melbourne	C	15	59	New Delhi	F	18	64	Rhodes	S	20	68	Taipei	C	22	72	Warsaw	R	5	41
Mexico City		-	-	New York	C	4	39	Rio de Janeiro	C	28	82	Tangier	S	21	70	Washington	S	3	37
Miami	S	[illegible]	55	Nice	F	16	61	Rome	S	15	59	Tel Aviv	S	25	77	Zurich	F	9	48

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

BA flies above the flak

The opening dog fight in the great air battle over the north Atlantic looks to have been won by British Airways. A 7 per cent increase in pre-tax profits for the second quarter was far more than the market had been expecting, and seems to be explained by BA's success in avoiding the impact of an all-out fares war. The airline's overall revenue per passenger kilometre was up during the period by no less than 4 per cent. Most satisfyingly for BA's chairman, Lord King, his two main opponents, United and American, have temporarily withdrawn to lick their wounds. The planned capacity reductions of these giants, moreover, are in stark contrast to BA's own determination to expand its market share.

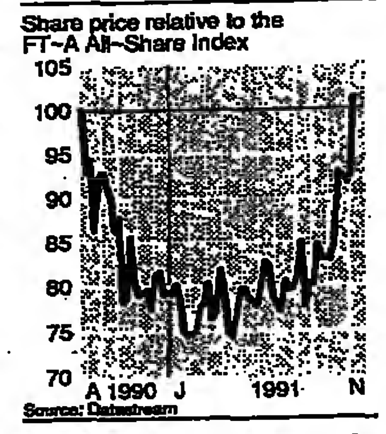
The reality for shareholders is that the war has just begun. All the same, the short term outlook is reasonably bright. Volume growth should be substantial by comparison with months dominated by the Gulf war. Fare levels ought at least to be held while the competition regroups. And the promised cost reductions – £265m this year and a further £150m in 1992/93 – should flow through pretty quickly to the bottom line. The increased dividend looks a touch unnecessary, but it certainly underpins the upbeat mood.

The more sobering thought is that even after savage overhead cuts BA is unlikely to beat its peak 1989 profitability for another couple of years. Only a global alliance will combat the inescapable real decline in revenue per passenger, which is why the KLM and North West talks are crucial for the group's longer-term health. Time and eligible partners are running out.

FT-SE Index: 2,575.5 (+20.6)

British Airways

Share price relative to the FT-A All-Share Index



Source: Datastream

German markets

Germany's proposed withholding tax may not be exactly what came to mind when the Constitutional Court called this summer for more equitable taxation of investment income. But by implicitly exempting over 80 per cent of savers from paying any tax at all, the Bonn government has lifted fears of a recurrence of the capital flight that followed its last abortive reform. Admittedly, investment income over DM6,000 will attract the new tax, but many larger investors will have moved their portfolios abroad long ago.

Yesterday's market response thus looks initially grudging. Bond yields eased marginally while equities gained less than 1 per cent. This partly reflects an exemption level only slightly more generous than expected anyway, while the proposal could yet come unstuck in the parallel debate on income tax and VAT. For equity investors, the plan simply removes a potential negative without adding a positive. There is plenty more to worry about: looming economic downturn, higher short term interest rates, unremitting wage pressure and a possible Soviet debt default.

Declining US Treasury bond yields make for a slightly more favourable bond market background, but concern remains over rising core inflation. The new tax should be broadly neutral in its overall effect on government finances. However, even the prospective bonus of a doubled annual contribution from Bundesbank profits is scant consolation for a fiscal deficit already over 5 per cent of GNP even before the downturn has really started.

Generators

The UK electricity generators' robust defence of rising prices in the electricity pool is hard to flaw on general commercial grounds, whether or not they turn out guilty of specific price manipulations. But if the lack of competition in power generation becomes part of the broader issue of utility regulation, the companies' shares will continue to suffer regardless. Investors will demand a yield premium as compensation for regulatory risk, just as they do for British Gas and the water companies.

The irony is that wholesale electricity prices had to rise if new gas-fired generating plants were to be profitable enough for competitors to enter the market. The industry structure adopted for privatisation assumed as much, but postponed the advent of real competition until the expiry of the generators' coal supply contracts in 1993. In the medium term, assuming the generators keep their prices in line with those of new entrants, it is debatable whether the regulator has a case for intervening at all. Put another way, if the generators simply avoid abusing their market dominance, they should escape interference. It does not help them that similar restraint proved beyond British Gas and BT.

Markets

It was typically perverse yesterday that just as the UK producer price index confirmed that UK inflation is headed below Germany's for the first time since 1967, the Bank of England was propping sterling up against the D-Mark. The market has reverted to thinking German interest rates are going up and that UK rates are not coming down. The forward sterling market now assumes no change in UK rates by the year end.

The risk is that the old vicious circle will re-assert itself, whereby government unpopularity leads to weak sterling, which in turn rules out the rate cuts needed to restore popularity. Sterling has stood up well to the decline in the Tories' fortunes, but the markets are unsure that will continue. The UK authorities' persistence in defending DM2.90 – a level of no technical significance within the ERM – suggests they are not too sure either.

UK insurance

Royal's negotiations with prospective partners on the continent and General Accident's third quarter losses demonstrate the unhappy state of most UK composite balance sheets. Royal shareholders will at least sleep better for the knowledge that they will not have to dig into their own pockets for a rights issue, though the convertible mooted yesterday represents a dilution of their interest. As for GA, which has taken goodwill write-offs and suffered from its US dollar exposure, a mere 45 per cent solvency margin raises the question of whether it can keep up with the industry leaders.

British Steel

In yesterday's column the cost of British Steel's interim dividend was given as £115m. The correct figure is £60m.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday November 13 1991

INSIDE

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Daimler-Benz	717	+	14	Accor	727	+	8
Didier-Werke	171	+	5	L'Oreal	700	+	7
Karstadt	642	+	12	Valeo	679	+	9
Mannheim Vers	728	+	33	Falls			
Falls				CGIP	974	−	13
Hoesch	264	−	7	Cetelem	852	−	17
Lahmeyer	850	−	15	Eurocom	636	−	8
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
British Airways	39⅛	+	3⅝	Nippon Carbon	2450	+	210
Glaxo ADRs	29⅝	+	1⅛	Nippon Felt	1300	+	150
McDonnell Doug	77	+	4⅝	Okamoto Inds	831	+	100
Merck	139⅝	+	4⅞	Sagami Rubber	1080	+	104
Falls				Falls			
BankAmerica	38⅞	−	1½	Nichiei Fin	1150	−	150
the Limited	26⅝	−	⅝	Yokogawa Br	1970	−	230

LONDON (Pence)							
Rises				ASW	180	−	7
AlldIrishBk	173	+	5	Bimec Inds	79	−	7
BAA	449	+	11	British Steel	84½	−	7
Black Arrow	36	+	5	Brown & Tawse	66	−	8
Brit Airways	221	+	19	FKI	58½	−	5½
Gen Accident	495	+	11	Ibstock J'nson	89	−	5
Glaxo	823	+	38	Maxwell Comm	85	−	3
Marshalls	90	+	3	Nat Home Lns	9½	−	2½
Royal Insce	309	+	15	Quadrant	45	−	7
Steetley	317	+	7	Taylor Woodrow	172	−	14
Usher (Frank)	62	+	7	Waverley Mng	33	−	8
Falls							
AMEC	192	−	11				

Perstorp plans link with Italians

By Robert Taylor in Stockholm

PERSTORP, the Swedish speciality chemicals and plastics group, is joining a consortium of large Italian companies to form a new business supplying industrial laminates to the European electronics market.

The company, to be owned jointly by Perstorp and a group of Italian companies led by Enichem, part of state-owned ENI, will have estimated annual sales of SKr600m ($100m). The preliminary agreement is subject to approval by ENI and the Italian government. The new company will cover five European plants that make copper-clad laminates for printed circuit boards: Perstorp's plants in Sweden, France and Scotland and plants from the Italian consortium based in Austria and Italy.

"We want to lay the foundations for the creation of a new competitive supplier to this segment of the European electronics industry," said Mr Gosta Wiking, Perstorp's president and chief executive officer.

"We have for some time realised that co-operation with other manufacturers is the best way of attaining a better structure for this industry. When we have finalised this transaction, the combined resources of the new group will make us one of the two leading suppliers in the European market," he added.

● An international consortium of investors has acquired a 35 per cent stake through a new share issue in Scandinavian Broadcasting System (SBS), the Luxembourg-based media company which owns and operates commercial TV channels in Denmark, Norway and Sweden.

Companies in the consortium include Advent International and Communications Investment International (COM21). Advent is a Boston-based venture capital company with funds in excess of $700m. COM21 has a diverse range of partners including Part-Com in France, an affiliate of Caisse des Depôts et Consignations (CDC), one of the world's largest financial institutions; Time/Warner Enterprises and leading banks from Italy, Spain and Luxembourg.

Mr Harry Sloan, chairman of SBS who has a majority shareholding but not controlling interest in the company, said: "Scandinavia is the last frontier for the deregulation of television in western Europe.

"With partners like Advent and COM21, SBS will have the financial resources to implement its expansion plans within the Scandinavian television market."

BA lifts dividend after 7.3% rise

By Paul Betts, Aerospace Correspondent

BRITISH AIRWAYS surprised the City of London yesterday with a 7.3 per cent rise in second quarter pre-tax profits to £176m ($313.28m).

Lord King, the airline's chairman, said BA was increasing its interim dividend by 5 per cent to 2.94p as a display of confidence in the company's future.

BA shares rose 10 per cent in heavy volume to close at 221p in London after the announcement of better-than-expected second quarter profits.

For the first six months, pre-tax profits were 42.2 per cent lower at £185m reflecting the disappointing £9m earnings the company reported in its first quarter. Basic earnings per share fell 33 per cent to 21.1p, fully-diluted earnings per share fell 31.1 per cent to 18.2p.

BRITISH AIRWAYS
Interim results to end-September (£m)

	1990	1991	Change (%)
Turnover	2,748	2,682	(2.4)
Operating surplus	281	208	(26.0)
Pre-tax profit	320	185	(42.2)
After-tax profit	227	152	(33.0)
Interim dividend (pence)	2.80	2.94	5.0

Source: BA

Sir Colin Marshall, BA's chief executive and deputy chairman, said the good second quarter performance reflected a 4 per cent improvement in the airline's yields and the impact of cost reductions taken this year, which included shedding 4,600 jobs. Passenger traffic has also started to improve with BA reporting a return to positive traffic growth in October for the first time since the Gulf war.

BA's turnover declined by 2.4 per cent to £2.68bn in the first half compared with the same period last year but rose by 0.5 per cent in the second quarter to £1.42bn over the same quarter last year.

Sir Colin said the second quarter £176m pre-tax profits included a £25m gain from the sale and leaseback of two DC-10 aircraft.

The airline warned its full-year results would depend on the economic recovery in the UK and the US, its two principal markets. However, Lord King said the airline's trading performance was "at least on the road to recovery".

The City expects BA to report full-year pre-tax profits of around £200m-£210m compared with £345m last year.

Lord King confirmed BA was seeking partners to develop its business globally but declined to comment on speculation that the airline was negotiating an alliance with KLM Royal Dutch Airlines and Northwest Airlines, the Dutch carrier's US partner. KLM recently confirmed it was holding talks with BA.

He also defended the company's decision to buy Boeing 777 widebody aircraft powered by US General Electric engines instead of Rolls-Royce engines. He had heard nothing from the European Commission following the complaint by Airbus Industrie that BA had favoured Boeing in its last four big aircraft acquisition campaigns. In spite of more competition as a result of the UK government's decision to allow new carriers to fly into Heathrow, BA's main London base, Lord King said the airline had managed to maintain its market share. But he remained critical of the government for opening up Heathrow. "The profitability of the company was affected by the government decisions."

Lex, Page 16
London SE, Page 27

Paul Betts reports on the first signs of a recovery in air traffic

Airlines foresee an end to turbulence

A British Airways Concorde flew across the Atlantic with only two paying passengers last January after the outbreak of war in the Gulf.

In February, an All Nippon Airways Boeing 747 jumbo carried barely 40 people on a Tokyo-to-London flight as Japanese businessmen and holidaymakers deserted air travel.

Airports around the world were unusually quiet and empty. As late as last month, Mr Gunter Eser, director-general of the International Air Transport Association (Iata), an organisation of more than 200 airlines, said the industry was "bleeding to death".

But yesterday came the first sign that the tide was turning for the troubled airline business, which has been suffering from a slump in air travel caused by the combined effects of the Gulf conflict and the recession in many western markets.

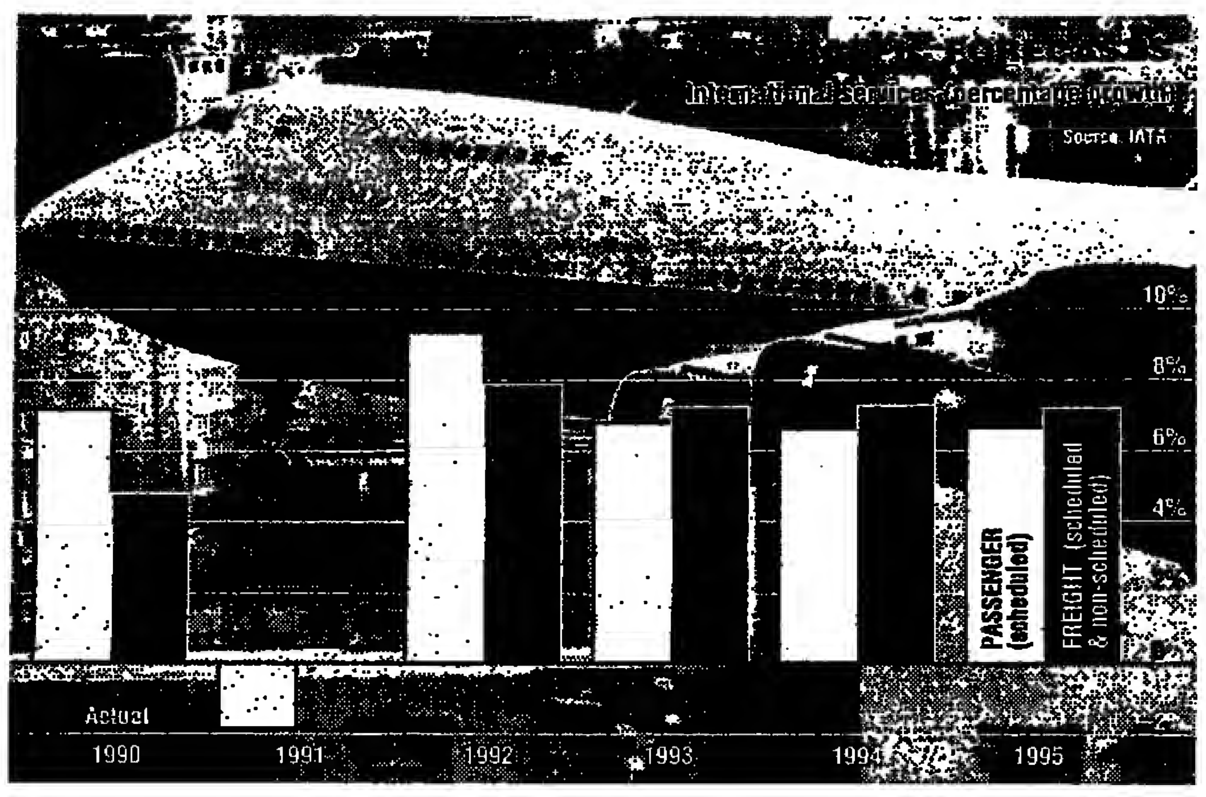
British Airways reported better-than-expected profits for its second quarter and confirmed that its traffic had shown positive growth last month for the first time since the Gulf war.

Other carriers around the world are again reporting encouraging operating earnings. And BAA, the UK airports operator, said yesterday it had experienced the busiest October on record with its airports handling 6.6m passengers, an increase of 1.9 per cent on October 1990.

The BAA figures showed that for the first time this year, Heathrow, one of the world's biggest airports, has returned to growth with 3 per cent more passengers than in October 1990.

The airport operator also said all its main passenger markets had improved last month on their September performance, with the UK domestic market and European scheduled services the only two markets which still had to recover fully the lost ground.

UK domestic services were still 3.5 per cent lower in October compared with the same period last year, while European scheduled services showed a 1.6 per cent decline on October 1990.



The figures confirm the industry is moving from recovery to growth in parts of the world. Although this may be encouraging, airlines remain cautious about the short-term prospects.

Sir Colin Marshall, BA's chief executive, said yesterday that his airline's full-year profitability continued to hinge on the recovery of BA's two principal markets: the UK and the US.

Tourism, rather than higher-yield business travel, has so far led the way in the gradual recovery of air travel: for example, Thomson, the UK's leading tour operator, reported earlier this week that its summer 1992 bookings were 16 per cent higher on the same period last year.

The latest IATA statistics also showed that the recovery in traffic in September was not strong enough to do more than match the level of the same time last year, a period when traffic had begun to decline.

For 1991 as a whole, Iata expects international scheduled services to show a 1.7 per cent decline in passengers compared with 1990, making it the first year in the history of civil aviation to suffer a reduction in international passenger numbers.

But Iata expects a strong improvement next year with passenger traffic growing by 9.4 per cent and then increasing at a rate of about 7 per cent in 1993, 1994 and 1995. This would give an average annual growth rate over the 1991-1995 five-year period of 5.6 per cent.

The fastest-growing region will be the Far East with north-east Asia growing an average 9.7 per cent and a 9.2 per cent growth for south-east Asia for the five-year period. Already in September, Asia was showing the strongest growth with international passenger traffic 6 per cent up on September 1990.

Europe, expected to decline up to 7 per cent in passenger boardings this year, is forecast by IATA to show strong recovery next year but the average annual growth rate will be only 3.9 per cent for the 1991-1995 period.

Iata expects a similar pattern in North America with a 2 per cent decline this year limiting the average annual increase in passenger numbers to 5 per cent for the five-year period to 1995.

Air transport has traditionally been a sensitive barometer of economic activity, turning down quickly in a recession but recovering just as swiftly with the first signs of an upturn.

Even without the Gulf crisis, the industry was heading for a downturn because of the recession. The war turned the cycle into the industry's worst slump in 40 years. After the war, air travel failed to recover as sharply as many hoped.

It is beginning to do so now although a new cycle of sustained air travel growth will only gather steam with a general economic recovery.

Lauda Air plans partnership, Page 18

Royal Insurance confirms talks on European alliance

By Richard Lapper

ROYAL INSURANCE, the UK general insurer, confirmed yesterday that it was holding discussions with two European insurers – Aachener und Münchener Beteilgungs of Germany and Fondiaria of Italy – about the possible formation of strategic links.

The discussions are at an early stage but may eventually lead to "an investment by AMB and Fondiaria in an instrument convertible into approximately 15 per cent of Royal's enlarged share capital", the company said.

Such a deal could raise about £250m ($445m), analysts suggest.

The three companies already have complex interconnections. Royal acquired an 18.8 per cent stake in AMB in 1979. Fondiaria owns 5 per cent of AMB and with AMB controls another German insurer, Volksfürsorge.

In turn Volksfürsorge owns a 5 per cent stake in Fondiaria. Fondiaria retains a 10 per cent stake in its Lloyd Italico subsidiary, 90 per cent of which it sold to Royal in 1989.

In London the market reacted positively to news of the talks. Royal's share price rose 15p on the day finishing at 309p.

However, analysts suggested yesterday that with Royal preparing to announce the extent of its third quarter losses tomorrow, that could be the last good news for Royal for some time.

Given the scale of its potential losses over the next two years, Royal might well need more than the £250m from the convertible said Mr Charles Coyne, analyst with Credit Lyonnais Laing. "This seems to be the first stage of negotiations about how much independence Royal can maintain. It looks a bit desperate."

There is also some scepticism about the strength of Royal's prospective partners.

AMB has some capital in hand having raised about DM450m ($277.7m) by floating part of its AMB Lebens subsidiary earlier this year.

But AMB faces losses at Bank für Gemeinwirtschaft, acquired in 1987. BfG may need to make hefty provisions as a result of non-performing loans to the Soviet Union.

Mr Michael Huttner, who follows European insurance markets for Banque Nationale de Paris, suggests that, with AMB in particular subject to the attentions of the aggressive French insurer, Assurances Generales de France (AGF), the prime motive for any deal would be defensive.

Lex, Page 16; General Accident losses, Page 18

Oftel clarifies stance on BT regulation

By Hugo Dixon and Roland Rudd

SIR BRYAN Carsberg, director-general of Oftel, the UK telecommunications watchdog, has approved the regulatory section of the prospectus for the BT share sale to be published today.

The move follows pressure from institutional investors for the regulatory situation to be clarified before they buy shares in the telecommunications company.

At a press conference later today Mr Norman Lamont, the chancellor, will reveal that retail investors will pay 110p as the first instalment. He is also expected to announce that institutional and retail investors will pay about 120p in the second instalment.

Institutional shareholders have been afraid that they could bid for stock only to find that BT prices and profits were more tightly regulated later. They have held meetings with S.G. Warburg, the government's lead adviser, to ask it to extract a statement from Sir Bryan and have threatened not to buy shares otherwise. He finally agreed to approve the prospectus at the weekend.

Sir Bryan's decision to approve the section on regulation in the prospectus may allay the institutions' fears, depending on how specific the section is on future actions.

A detailed description of future regulation could limit Sir Bryan's freedom to take any action which is not foreshadowed in the pathfinder prospectus.

The prospectus for the electricity privatisation was approved by Professor Stephen Littlechild, the industry regulator. But Oftel has resisted making a detailed statement of its regulatory policy before the BT sale on the grounds that it did not want to say things now that could prejudge its forthcoming review of BT's prices.

Last week Sir Bryan said he would publish a consultative document on BT's prices in January.

At the end of the prospectus's section on regulation, there will be a letter from Sir Bryan confirming that it is an appropriate summary of the regulatory situation. The letter will also spell out the timetable for next year's review of BT's prices, according to both Oftel and the government's advisers.

The prospectus is only 42 pages long, much shorter than those for previous privatisations. The prospectus for the regional electricity companies, for example, was 800 pages long.

INTERNATIONAL COMPANIES AND FINANCE

Lauda Air seeks right formula

Paul Betts reports on the options open to the Austrian airline

MR Niki Lauda, the former world motor racing champion, is planning to strengthen the scheduled and charter airline he launched six years ago by forging a strategic partnership with a big international carrier.

"We need a strong partner if we are to survive in this cut-throat business during the next 10 years," Mr Lauda said at his airline's Vienna airport headquarters. The new partnership, which would involve the sale of a 10 to 15 per cent stake in Lauda Air, is one of two options Mr Lauda is considering for his airline's future.

The other would involve an agreement with the Austrian authorities and Austrian Airlines, the country's flag carrier, to co-ordinate closely the operations of the two rival Austrian carriers.

However, Mr Lauda saw at this stage little chance of agreement. For the past 10 years, the national carrier has fought a fierce battle to prevent Mr Lauda developing his airline. It succeeded in thwarting his first attempt to start an airline in 1979. "I underestimated the power of politics in Austria and in this business. I was forced to throw in the towel and return to motor racing. That first venture cost me $3.5m," Mr Lauda said.

After winning his third Formula 1 world championship in 1984, Mr Lauda decided to start up his airline again in partnership with Mr Basile Varvaressos, the owner of ITAS, one of Austria's biggest travel agencies. The two partners struck a cross-shareholding deal with

Niki Lauda regularly flies his company's aircraft

Mr Lauda taking a 49 per cent stake in ITAS and Mr Varvaressos a similar shareholding in Lauda Air.

Starting as a charter operator, Mr Lauda soon decided to expand into regular scheduled services. But he again faced opposition from Austrian Airlines and only last year finally received from the Austrian authorities a worldwide concession to operate scheduled services. His strategy has been to concentrate on scheduled services to the Far East and the Australian market. At the same time, he launched a scheduled service between Vienna and London's Gatwick airport. He would now like to expand his scheduled services to the US with flights to Los Angeles and Miami.

The last six months have been particularly difficult for Lauda Air. The carrier, like the rest of the airline industry, was hit by the slump in air travel provoked by the Gulf war and the economic recession. It faced an additional blow when Air Europe, its UK partner on its new Gatwick scheduled service, collapsed. Mr Lauda said he was still owed about £400,000 ($712,000) by Mr Harry Goodman's bankrupt Air Europe/International Leisure Group travel empire.

Even worse was the crash of one of Air Lauda Boeing 767s in Thailand last May which killed all 223 people on board.

The disaster had a devastating impact on the company's morale. Mr Lauda confirmed he would have closed down the airline had it been responsible for the crash.

He immediately tried to seek out the cause of the accident, flying to the crash site in the Thai jungle. "From the beginning it was clear that the thrust reverser had been deployed on the aircraft's left engine but nobody at first believed this could have caused the crash," he said.

Boeing is now modifying the thrust reverser system on all 767 aircraft powered by Pratt & Whitney 4000 engines including the Air Lauda aircraft. Mr Lauda believed that the lessons of the crash had now made flying safer.

The airline expects an operating loss of under $3m this year. Mr Lauda regularly pilots his company's aircraft "to keep a personal check that everything is operating properly and efficiently". The company's balance sheet is also strong, with current liquid assets of around ASch400m ($34.63m).

Mr Lauda floated 20 per cent of the airline on the Vienna Stock Exchange last year, a few months before the Gulf crisis, raising ASch430m to help finance new aircraft.

Although the airline has seen the annual number of passengers it flies increase from 40,000 five years ago to around 340,000 this year, Mr Lauda said the airline would only grow as fast as its market. He also wanted to maintain a balance between charter and scheduled services.

His big advantage, he said, was his base in Vienna. There was no congestion at Vienna airport and a huge potential for growth with the opening up of Austria's east European neighbours.

Digital and Apple form marketing link

By Alan Cane in London and Louise Kehoe in San Francisco

THE European subsidiaries of Digital Equipment, the largest minicomputer company, and Apple Computer, the second largest personal computer manufacturer, yesterday announced a reciprocal marketing agreement which sharply increases the complexity of the network of relationships linking the world's leading computer-makers.

Under the agreement, at present restricted to Europe, Digital Equipment (DEC) will market Apple's Mackintosh computers to its customers while Apple will distribute DEC's networking software and small computers through its European reseller network.

The idea is to seek synergy between Apple's skills in designing easy-to-use computers and DEC's expertise in networking small computers together.

The agreement is expected to be followed by similar arrangements in North America, where the companies "are working together on plans to enhance their relationship," according to an Apple spokesman.

In Europe, Apple distributes its computer products primarily through dedicated "Apple Centers," whereas in the US Apple's products are sold by independent dealers, who also offer competing products, as well as by systems integrators. The role of independent dealers in the US market would therefore make a joint marketing agreement between Digital and Apple more complicated, but nonetheless significant for both companies.

The tie-up complicates the industry picture because DEC, which has never been successful in personal computers, markets PCs made by Olivetti of Italy in Europe while Apple has recently concluded an agreement with IBM to develop a new generation of personal computer hardware and software. A condition of that deal is that IBM will help Apple to sell its PCs to large corporate customers, an area where Apple has been only fitfully successful.

Mr Geoffrey Shingles, chairman and chief executive of DEC (UK) said the new agreement would not affect DEC's existing arrangement with Olivetti nor with IBM.

Yesterday's announcement follows a technology agreement made four years ago in which DEC and Apple said they would work together to develop software to make it easy to link Apple PCs to DEC minicomputers.

Inmos and IBM strengthen ties with chip deal

By Alan Cane

LINKS between Inmos, the UK-based semiconductor manufacturer owned by SGS Thomson, and IBM, the world's largest computer maker, have been strengthened by an agreement involving the transputer microprocessor chip.

IBM already uses Inmos memory and graphics chips, but this is the first significant endorsement for the transputer, a special kind of computer-on-a-chip invented by Inmos which operates at very high speeds.

The two companies have been collaborating on a version of the transputer for use in the control mechanism of IBM's disk memory systems.

The device will detect and correct errors in information moving between the memory systems (known as Direct Access Storage Devices or DASD) and the central processor. Using a transputer for this purpose is a particularly cost-effective technique, according to Mr Ian Pearson, Inmos' technical director.

IBM already uses a colour look-up chip, a kind of memory, developed by Inmos in its most advanced personal computers, and two months ago it announced it was giving Inmos exclusive rights to make IBM's own design of chip for generating personal computer graphics.

Mr Pearson said the new deal was the first time a large computer company had agreed to use the transputer.

LVMH increases sales by 8.6%

By Alice Rawsthorn in Paris

LVMH, the French luxury goods group which owns Moët et Chandon champagne and Louis Vuitton luggage as well as the Givenchy fashion house, yesterday announced an increase in net sales of 8.6 per cent to FFr14.66bn ($2.63bn) from FFr13.5bn for the first three quarters of the year.

The group also confirmed that it was continuing its recovery from the depressed first quarter of the year when it, like other luxury goods groups, was badly affected by the downturn in duty free sales caused by the disruption to air travel during the Gulf war.

LVMH, which recently announced a slight fall in first-half profits from FFr1.24bn to FFr1.21bn, started its recovery in the second quarter. The rate of recovery accelerated in the third quarter when net sales rose by 15 per cent compared with the previous year. At the time of its interim, LVMH forecast a "reasonable" rise in profits for the full year.

Cognac and spirits, which include Hennessy and Hine cognacs, saw sales rise by 16 per cent to FFr4.26bn from FFr3.67bn. LVMH said that, although there had been a fall in volume sales, this had been offset by the higher proportion of older, more expensive cognacs in its sales mix.

Champagne and wines, which include Pommery, the champagne bought last year from BSN, the French food group, as well as Moët, increased sales by 5 per cent to FFr3.19bn from FFr3.03bn despite the effect of the US and UK recessions.

Sales of luggage and perfumes, which were particularly badly affected by the instability caused by the Gulf crisis, benefited from the contribution from new product launches.

Luggage and leather goods saw sales rise by 6 per cent to FFr3.42bn from FFr3.23bn. Perfume and beauty products, which include new scents, Christian Dior's Dune and Givenchy's Amarige, increased sales by 1 per cent to FFr3.36bn from Fr3.32bn.

LVMH's other products, notably the Givenchy couture house, succeeded in increasing sales by 71 per cent.

Pernod Ricard up 3%

By Alice Rawsthorn

PERNOD RICARD, the French drinks company, yesterday reported a 3 per cent increase in consolidated sales to FFr11.09bn ($1.99bn) from FFr10.79bn for the first nine months of the year.

The company, which produces a range of wines, mineral waters and spirits as well as its famous aniseed-flavoured drink, suffered from the disruption caused by the Gulf war to the travel and tourism markets in the first quarter of the year.

Its performance was also affected by the economic slowdown and by the impact of poor weather in northern Europe on demand for its soft drinks, which include Orangina, the fizzy orange drink.

Pernod, which recently launched a FFr400m share-linked bond issue, did not release details of its profits in the third-quarter results. Last month, it reported a 16.5 per cent decline in net profits from FFr358m to FFr299m for the first half of the year. During the first half the problems posed by the poor market conditions were aggravated by increased restructuring charges.

However, Pernod is expected to benefit from the impact of its earlier cost cutting moves.

Bosch, Emerson agree new venture

ROBERT BOSCH, the German motor components and engineering group, has reached agreement with Emerson Electric of the US to set up a joint company to develop, manufacture, and sell power tools in the US, writes Andrew Fisher in Frankfurt.

The companies, which will have an equal stake in the operation, are linked through the jointly-owned Vermont American Corporation, of Kentucky, which employs 3,700 and makes tools and equipment.

Bosch said the deal needed approval from Germany's Federal Cartel Office and the Federal Trade Commission in the US.

Loss deepens at General Accident

By Richard Lapper in London

GENERAL ACCIDENT, the UK's third biggest composite insurer, yesterday reported pre-tax losses of £128.7m ($229m) for the first nine months, compared with a £71m loss in the same period of 1990.

General Accident is the first of three UK composite insurers to report third-quarter results in the next few days. Its figures are an indication that the UK general insurance industry is making little progress towards restoring profitability. However, GA's result was better than the City of London had expected.

Mr Nelson Robertson, chief general manager, said the recession was continuing to affect commercial business.

"Much of our adverse underwriting experience is still recession and crime-related, with a continuing high incidence of arson," he said.

The group's solvency margin – the yardstick which measures capital strength – has fallen by 2 percentage points since the end of 1990 to 45.5 per cent.

Mr Robertson said the decline was largely because of the weakness of the US dollar and the fall in the sterling value of GA's US assets.

Although GA has only a minimum exposure to loss-making mortgage indemnity business, the biggest issue for at least three of its rivals, underwriting losses in the UK – from where GA derives just more than a third of its premium income in general business – were the dominant feature of the result.

UK underwriting losses nearly doubled to £259.7m from £130m, while global underwriting losses rose to £429.1m from £304.1m.

In spite of 25 per cent rate increases and some improvement in the third quarter, losses on the troubled motor account climbed to £84.9m from £40.7m, with claims frequency rising. Losses on the commercial property account also climbed steeply to £53.4m against £40.7m, , mainly because of several large fires in the third quarter.

GA's third-quarter result showed slight improvement – when losses amounted to £81.3m – partly because of an improvement in personal business.

Profits from life business were up by more than 50 per cent to £22.2m. Estate agency losses were reduced to £11.9m from £14.8m.

GA also recorded a marginal profit of £500,000, against a loss of £9.3m last time, on its New Zealand bank operation which is being wound up. Investment income rose 12.4 per cent to £342.6m.

Losses per share increased to 27.1p, more than double the 11.7p posted last year.

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Surge in ulcer drug sales helps lift Astra

By Robert Taylor in Stockholm

ASTRA, Sweden's largest pharmaceutical company, announced yesterday a 40 per cent improvement in profits before financial items, to SKr2.58bn ($430.7m) from SKr1.84bn, for the first nine months of the year.

Sales rose 31 per cent, to SKr8.92bn from SKr6.8bn over the same period last year, while profit per share after tax rose to SKr13.5 from SKr8.35. Operating profits increased to SKr2.22bn from SKr1.67bn, a rise of 33 per cent.

The company forecast a profit increase of around 30 per cent for the year.

Astra's result has been underpinned by a surge in its sales of the anti-peptic ulcer drug, Losec. These rose to SKr2.17bn from SKr992m for the same period of 1990. The sales figure is even higher – at SKr3.4bn compared with SKr1.4bn – when Losec's licensed distributors are included.

The company's other new drugs also sold well. Total sales of its anti-asthma agent, Pulmicort, rose 46 per cent, to SKr847m from SKr579m, while sales of its Bircanyl Turbuhaler rose to SKr564m from SKr482m, an improvement of 17 per cent. Pulmicort and Turbuhaler entered the Australian market in the third quarter, and are now available in 15 countries.

Sales of Astra's cardiovascular anti-high blood pressure product, Plendil, also rose strongly in the first nine months, to SKr230m from SKr130m.

It gained access to the lucrative American market in September through the company's US distributor, Merck and Co.

Uni Storebrand awaits decision on raising Skandia stake

By Karen Fossli in Oslo

UNI STOREBRAND, Norway's biggest insurer, confirmed yesterday that it was awaiting approval for a six-week-old application lodged with domestic finance authorities to expand its shareholding to 25 per cent in Skandia, the big Swedish insurer.

In September, the Norwegian company became the second biggest shareholder in Skandia when it acquired a 11.4 per cent stake for NKr1.7bn ($264.4m).

The company has since lifted its Skandia shareholding to around 18.6 per cent, with total investments estimated at NKr3bn.

Mr Jarle Sandvik, group director of Uni Storebrand, said yesterday he did not know when approval would be forthcoming.

However, a meeting is scheduled for tomorrow by the board of Kredittilsynet, Norway's banking, insurance, and securities watchdog. It will then make a recommendation on Uni's application to the Finance Ministry, which it advises.

Norwegian finance institutions are required to apply for permission from authorities to increase shareholdings beyond 10 per cent in other finance institutions.

Uni Storebrand earlier said it was considering the purchase of all or part of the 28.2 per cent in Skandia held by Skandinavia Enskilda Banken. SE Banken acquired its 28.2 option in Skandia in October last year for SKr217 per share. It must decide by next March whether it will dispose of the shareholding.

However, it is believed that the Swedish bank will make a decision before March because it is paying heavy interest charges to hold the Skandia option.

Uni has been silent about its intentions, saying only that its Skandia shareholding is a long-term investment, and that it is seeking "through legitimate channels" to influence the future development of Skandia and the Scandinavian insurance market.

To this end, the Norwegian company maintains that it is in talks with Skandia, SE Banken and Pohjola Insurance, Skandia's third biggest shareholder, over the future of the company.

Correction

Hellenic Bottling

HELLENIC Bottling Company will pay £19.25m to acquire a 55 per cent stake in Coca-Cola Bottlers (Ulster). This was incorrectly reported in Tuesday's Financial Times.

Retailers' profits slip as poor sales climate persists

By Nikki Tait in New York

TWO US stores chains yesterday reported a fall in net third-quarter profits, underlining the difficult conditions persisting in the retail industry despite October's better-than-expected sales figures.

However, The Limited had warned of a third-quarter profits dip, causing its shares to ease only ¼ to $25¾ yesterday. And J.C. Penney's figures were better at the pre-tax level, where profits showed little change on the previous year. Its shares gained $1½ at $51⅜ on the news.

J.C. Penney, a department store group based in Dallas, said third-quarter profits totalled $116m after tax, compared with $134m a year ago. However, at the pre-tax level, after little changed interest costs, profits were essentially static at $185m, against $183m.

Sales fell by 1.1 per cent to $4.2bn.

Penney, which has been attempting to give itself a more upmarket image, said many consumers were still deferring purchases of "big ticket" items, such as furniture and home furnishings.

But it added that clothing sales were showing a slight improvement on the previous year, although it acknowledged that this was partly due to price promotions in its stores.

The Limited, one of the largest US retailers specialising in women's clothing and one of the few retail groups to weather the US recession fairly successfully, posted a third-quarter profit after tax of $72.9m.

This compared with a $84.9m profit in the period last year.

The profit was made on sales up from $1.25bn to $1.43bn, and leaves the group showing after-tax income of $203m for the first nine months, against $226.2m in the first three quarters of 1990.

Last month, The Limited warned that third-quarter earnings might decline. At the time, its shares took a modest beating, although they have subsequently rallied.

Deere warns of loss due to charge

By Barbara Durr in Chicago

DEERE & CO, the US agricultural and industrial equipment maker, warned yesterday that it would include a $120m after-tax charge against fourth-quarter results.

Mr Hans Becherer, Deere's chairman, said the move would mean a loss for the fourth quarter ending on October 31 and for the year, following a sharp fall in net income in the first nine months.

The charge is related to the cost of closing the company's foundry in East Moline, Illinois, and the associated job cuts.

The decision to close the foundry was announced in September. The charge in part will cover the costs of early retirement programmes for hourly and salaried employees affected. The programmes were negotiated under a new labour agreement.

Mr Becherer said the outlook for the company had not changed and it was continuing to improve efficiency and trim operations.

Like other makers of farm and industrial equipment, Deere is struggling to cope in a soft market not expected to pick up significantly before next spring.

Deere's net income for the first nine months was $61.3m, or 80 cents a share, down from $336.6m, or $4.44, in the comparable period in 1990.

Its worldwide sales during the period were down 11 per cent to $5.15bn from $5.81bn the year before.

Mennen sale expected to attract bids of $600m

By Karen Zagor in New York

MENNEN, the US toiletries company controlled by the eponymous Mennen family whose products include Speed Stick deodorant and Skin Bracer after shave, has put itself up for sale.

Mennen, which has hired Goldman Sachs, the US-owned investment house, to help evaluate its worth, is expected to attract bids of more than $600m.

Several big names in the personal care industry are reported to be interested in Mennen, including Colgate-Palmolive, Unilever Group and L'Oreal. There are also rumours that Japan's Kao Corp, which owns Andrew Jergen, might bid.

The Mennen family said it was selling its shares in order to diversify its investments. But increasing competition and the growing need to invest heavily in advertising and marketing to maintain market share are also believed to have contributed to the decision.

The company based in Morristown, New Jersey, and founded by Gerhard Mennen in 1878, has annual revenues of about $500m. It has a reputation for innovations in personal care and was the first company to put shaving cream in a tube.

Its biggest coup was the first stick deodorant, in 1963. Mennen's Speed Stick still leads the US stick deodorant market, and the company is believed to be the second biggest participant in the US deodorant market, with a 17 per cent share.

Northwest Air poised to receive $320m financing

By Nikki Tait in New York

NORTHWEST Airlines, the fourth largest US airline which is in several potential merger discussions, appears to have secured $320m of financing, which could go towards debt reductions and general operational uses.

The money is part of a package hammered out between Northwest, the state of Minnesota and the Minneapolis/St Paul Metropolitan Airports Commission (MAC). Northwest has agreed to site new maintenance facilities in Minnesota, creating about 2,000 jobs, and to keep its headquarters there.

In return, Minnesota would contribute $350m towards building the facilities, while the MAC would provide other funding sources, including the issue of $270m of general obligation bonds and $79m of Northwest Airlines revenue bonds. Of this, $320m would be available for general corporate purposes.

Last month, talks between Northwest and MAC appeared to have broken down, but the carrier said the agreement "looks like a done deal".

Northwest was taken private via a $3.65bn leveraged buy-out in 1989, producing substantial debts.

Moody's considers downgrade of GM debt

By Martin Dickson in New York

MOODY'S Investors Service, the US credit-rating agency, said yesterday it was reviewing for a possible downgrade the debt rating of General Motors, the largest US vehicle manufacturer, which has plunged into the red due to recession in North America.

Last Friday, Standard & Poor's, another credit agency, said it had placed the company's debt on its credit-watch list for possible downgrading, and downgraded the company's preferred and preference stock.

It cited the company's "disappointing" progress in improving its operating efficiency.

Moody's, which rates GM's senior debt Single A-1, said its review reflected the agency's concern that the company's high operating cost structure would continue to weaken its competitive position, despite its aggressive schedule of model introductions.

It was also concerned about the company's large operating losses in the North American market, coupled with continued high levels of capital investment.

The review would cover GM's cost containment efforts, including its plans to reduce capacity in North America, and the probable impact these strategies would have on GM's profitability during weak economic cycles.

The review also covers the debt of GM's non-automotive subsidiaries, GM Hughes Electronics and General Motors Acceptance Corp, its credit arm. About $75bn of long-term debt is affected.

Magna in first US-Canada issue

MAGNA International, Canada's largest independent car parts maker, is launching the first cross-border equity issue under a new US-Canada disclosure system, writes Robert Gibbens in Montreal.

Burns Fry and Richardson Canada are leading the underwriting group in Canada, and First Boston the US syndicate. At least 5.5m new Magna class A shares are being sold to raise about C$100m (US$89m) and reduce debt.

Magna lost C$224m for the year ended July 1990. After restructuring, it made a profit of C$16.5m, or 59 cents a share, the next year. Net debt dropped to less than C$700m from a peak of C$1.1bn.

JAPANESE INTERIM RESULTS

Slowdown hits watch market

By Steven Butler in Tokyo

CITIZEN Watch and Seiko, Japan's leading watch companies, yesterday reported modest declines in sales and falling profits.

The watch market has been affected by the economic slowdown in the US and in Japan, which has been hit hardest at the luxury end of the market.

Seiko reported an 18.3 per cent decline in pre-tax profits to Y2.18m ($16,769) and sales fell 0.3 per cent to Y152.26bn.

At the operating level, profits were off only marginally, with most of the decline in profits accounted for by higher non-operating expenses.

Watch sales fell slightly to Y93.48bn. Stronger sales of clocks and eye glasses were balanced by a decline in the value of jewellery sales.

Net earnings fell by 9.8 per cent to Y931m, and the interim dividend was unchanged at Y5.

At Citizen, pre-tax profits fell 3.8 per cent to Y10.35bn and sales were off 0.9 per cent to Y121.84bn. Sales of watches, industrial machinery and electronic equipment all rose. Information equipment sales fell from Y29.44bn to Y26.66bn.

Net earnings at Citizen fell 16.8 per cent to Y4.94bn, while the interim dividend was increased from Y3.75 to Y4 a share, although the final dividend is forecast unchanged at Y8 for the whole year.

Mitsubishi Petrochemical slides 21.9% to Y19.6bn

By Emiko Terazono in Tokyo

MITSUBISHI Petrochemical has blamed sluggish chemical sales for a 21.9 per cent fall in unconsolidated pre-tax profits to Y19.6bn ($150.8m) for the first six months to September.

Overall sales rose 4.6 per cent to Y209.4bn on increased sales of fine chemicals, and after-tax profits fell 13.2 per cent to Y11.2bn.

Mitsubishi said that despite the increase in total sales, a 4.4 per cent decline in sales in its profitable "ordinary" chemical products pushed down operating profit by 52.8 per cent, to Y8.1bn.

Sales of its plastics rose 9.6 per cent to Y84.1bn, while special purpose chemicals rose 4.9 per cent to Y25.4bn.

Mitsubishi said pre-tax profit projections for the year had been reduced by Y9bn to Y39bn, a 17 per cent fall, on a 0.2 per cent rise in sales to Y435bn, revised down by Y25bn.

● Kubota, the Japanese industrial and farm machinery maker, reported a 3.6 per cent rise in pre-tax profit to Y16bn for the first half to end-September on steady sales of farm equipment and an increase in demand for environment-related technology.

Sales were 4.3 per cent up on the same period last year, to Y337.87bn, with a 6 per cent increase in sales of ductile iron pipes, a 28.5 per cent lift in environmental equipment sales, and a 3 per cent rise in the casting and machinery divisions.

The company said it was likely to suffer a loss in December on the reorganisation of Stardent, a US computer company, in which it holds a majority stake. Kubota is developing skills in computer equipment and software, and plans to take control of Stardent.

Order backlog boosts Haseko's pre-tax result

By Emiko Terazono

HASEKO, the leading Japanese condominium builder, announced a 3.8 per cent rise in non-consolidated pre-tax profits, to Y17.7bn ($136.1m). The company attributed the advance to a rise in building construction due to an order backlog.

Overall sales rose 7.8 per cent to Y266.9bn, while after-tax profits soared 31.2 per cent to Y7.5bn as a special stock appraisal loss of Y5.2bn hurt profits a year before.

Sales in Haseko's construction division rose 20.6 per cent to Y158.7bn. However, construction orders fell 24.2 per cent to Y181bn.

Revenue at the company's real estate division fell 7.9 per cent, to Y98.5bn, due to the sluggish market. Real estate sales fell 4.8 per cent, to Y96.5bn, and broking commission revenue dived 71.1 per cent to Y1.4bn.

KDD rises to Y13.95bn despite rate cuts

By Stefan Wagstyl in Tokyo

KDD, the Japanese international telecommunications operator, yesterday reported a 12.4 per cent increase in interim pre-tax profits to Y13.95bn ($107.3m), in spite of rate cuts forced by competition.

The company warned, however, that for the full year to next March, profits would rise just 4 per cent to Y27bn because of further planned reductions in charges.

KDD, which held a monopoly until 1987, faces a tough challenge from two newly-established operators, which compete only on the most profitable routes, including the US and the UK, and ignore other destinations.

Sales in the six months rose just 1.2 per cent to Y123.7bn and operating profits were up 0.1 per cent at Y1.1bn. Net profits were 21.2 per cent higher at helped by a lower tax charge.

The company said revenues would be affected by the slowdown in the domestic economy as well as further price competition from the other carriers.

● Tokyo Broadcasting System lowered its parent pre-tax profit forecast to Y18bn for the year to March 1992, from its May forecast of Y24.9bn, against Y25.38bn a year earlier. Reuter reports from Tokyo.

The commercial radio and television broadcasting company expects 1991-92 parent net profits of Y9.1bn, down from a previous forecast of Y12.2bn, against 14.Y13bn a year ago.

High interest rates help lift Nedcor 20%

By Philip Gawith in Johannesburg

NEDCOR, South Africa's fourth largest banking group, has lifted net income 20 per cent to R344m ($122.7m) in the year to the end of September.

The group benefited from high interest rates which boosted margins, with interest income rising by 20.2 per cent to R1.37bn. Other income was 13.2 per cent higher at R911m. Expenses, however, were 16 per cent higher at R1.49m and the effects of economic recession necessitated a 47 per cent increase in provisions for bad or doubtful debts to R233m.

Most of the R271m earnings came from the banking division, with Nedbank, the commercial arm, lifting its contribution 25 per cent to R180m.

Nedfin, which focuses on leasing and instalment finance, benefited from improved margins to lift earnings 53 per to R26m. However, substantially increased provisions at the Perm home loans division, because of political unrest and the economic downturn, saw the contribution to earnings rise only 3 per cent to R65m.

UAL merchant bank recovered well to increase its contribution 56 per cent to R39m, while Syfrets, the portfolio management arm of the group, maintained profits at R20m.

The focus of balance sheet growth was on those areas less susceptible to economic downturn. Assets increased 19 per cent to R41.6bn, including a 23 per cent growth in advances and acceptances.

Earnings per share rose 30 per cent to 185 cents, and the dividend was lifted 12 per cent to 57 cents per share. Shareholders are offered the option of receiving new ordinary shares in lieu of cash.

Mafersa marks Brazil's first real sell-off success

By Victoria Griffiths in São Paulo

MAFERSA, the Brazilian railroad equipment manufacturer, has been sold for nearly three times its minimum offer price, making it the first real success of the country's privatisation programme.

The pension fund of the Federal Railroad employees bought 90 per cent of the shares for $51m and the remainder has been allocated to Mafersa employees.

Mr Eduardo Modiano, president of the National Development Bank, said: "This result indicates that Brazilian privatisation is finally gaining momentum." The bank is in charge of privatisation.

Mafersa is the third group to be privatised in Brazil since the programme started with the sale of Usiminas, the steel group, a few weeks ago.

Mr Modiano said he was still concerned about the lack of foreign interest in Brazilian privatisation. According to a pre-auction agreement, the Federal Railroad will sell 5 per cent of Mafersa's shares to Mitsui, the Japanese group, the only foreign participant in the sale.

"The violence and uncertainty surrounding the auction of Usiminas scared foreign investors away," he said. Only 6 per cent of the steel group's shares had ended up in foreign hands.

The sale of Usiminas was marked by delays and violence as labour unions protested about the sale.

Mafersa's auction was far from trouble-free, with five legal actions filed by the labour unions against the privatisation. However, Mr Modiano hopes that as more groups are privatised, the labour unions will become less antagonistic.

"Mafersa is the turning point," he said. "I think that from now on we'll confront less labour opposition. And that should bring the foreigners back in to the programme."

The next privatisation will be Cosinor, the steel group.

INTERNATIONAL CAPITAL MARKETS

Japanese yields reflect hopes for cut in rates

By Richard Waters in London and Karen Zagor in New York

JAPANESE government bond yields continued yesterday to reflect the growing confidence that a cut in the official discount rate is imminent. The government's 20-year bond auction was well received by the market, while the overnight call rate, at 6.40 per cent, continued to show a slight fall.

This helped the yield on the benchmark No 129 to fall in Tokyo from its close of 5.895 per cent on Monday night to 5.845 per cent yesterday. The yield fell further in London trading, ending the day at 5.83 per cent. Whether the market has been right to expect a cut could be tested as early as today as Mr Yasushi Mieno, governor of the Bank of Japan, returns from an overseas trip.

■ THE changes to German withholding tax duly arrived on Monday evening, helping to push government bond prices ¼ percentage point higher in early trading yesterday before prices fell later in the day.

The introduction of a 25 per cent withholding tax for domestic investors and a large rise in the tax-free limits had been expected in recent days and had helped to fuel a rally in German government bonds.

Traders said buying interest early in the day from Japan, and the fact that most in the market had taken a long position in the expectation of further buying, helped to push prices higher. However, profit-taking by retail investors, a gathering belief that German interest rates are not due for a cut and selling by the Bundesbank, combined to push prices lower during the afternoon.

The Liffe bund contract climbed to 86.44 from its opening of 86.37, before falling to close at 86.22.

■ BETTER-than-expected producer price figures in the UK yesterday failed to shake off the unease that hung over shorter-dated gilts as sterling weakened, at one stage falling below DM2.90.

Producer output prices for October showed an annual rise of 5.2 per cent, down from the 5.6 per cent in September and a steeper drop than was generally expected. The good news was sullied by worse input figures, which were pushed up 0.4 per cent on the month by rising fuel prices. Despite the good news and a strong start to trading, prices fell. The benchmark 2003/07 gilt closed little changed at 113$\frac{11}{32}$. Shorter-dated gilts eased as sterling weakness further undermined hopes of a base rate cut when the UK retail price index is published on Friday.

■ US Treasury bond prices were mixed yesterday, with slim losses at the short end of the yield curve and sharper gains at the long end, where maturities rose on the back of strong overseas buying.

The yield curve flattened through the day, with the long end strengthened by last week's good 30-year auction and the short end reflecting the belief that monetary policy will not ease again this year.

In late trading, the when-issued 8.00 per cent 30-year issue was quoted 1$\frac{1}{32}$ higher at 102$\frac{11}{32}$, yielding 7.79 per cent. The long bond was supported by overnight buying in Tokyo and London, where the issue gained as much as ¾ point before US trading started. Shorter-dated maturities were unchanged to $\frac{1}{32}$ lower. The Federal Reserve arranged two-day system repurchase agreements when Fed Funds were trading at 4$\frac{11}{16}$ per cent.

The bond market focused on the data to be released this week. Today will see the release of US producer price index and 10-day auto sales. The October consumer price index and retail sales will be released tomorrow.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.5400	+0.387	9.84	9.75	10.06
BELGIUM		9.000	06/01	99.8500	+0.050	9.01	9.11	9.07
CANADA *		9.750	12/01	99.95	-0.200	8.51	8.50	8.91
DENMARK		9.000	11/00	100.8200	-0.005	8.85	8.95	8.93
FRANCE	BTAN	8.500	11/96	98.4700	+0.011	8.89	8.97	8.94
	OAT	9.500	01/01	104.4800	+0.080	8.76	8.81	8.78
GERMANY		8.25	09/01	100.1000	+0.170	8.23	8.37	8.13
ITALY		12.000	08/01	97.3000	+0.070	12.49	12.43	12.43
JAPAN	No 119	4.800	06/99	92.9068	+0.291	6.17	6.28	6.29
	No 129	6.400	03/00	103.1448	+0.317	5.84	5.95	5.97
NETHERLANDS		8.500	03/01	98.6000	+0.110	8.72	8.80	8.69
SPAIN		11.900	07/96	100.7000	-0.100	11.64	11.62	11.61
UK GILTS		10.000	11/96	101-10	-03/32	9.66	9.77	9.75
		10.000	02/01	102-02	-02/32	9.65	9.79	9.73
		9.000	10/08	95-27	-03/32	9.50	9.58	9.49
US TREASURY *		7.500	11/01	101-01	+15/32	7.35	7.50	7.47
		8.000	11/21	102-13	+32/32	7.79	7.97	7.89

London closing. *New York closing. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. *Technical Data/ATLAS Price Sources*

Polish Securities Commission concern

THE quality of financial reports on Polish state-owned companies destined for privatisation, which have been produced by leading western auditing companies, is worrying Poland's newly established Securities Commission, writes Christopher Bobinski in Warsaw.

Mr Leslaw Paga, chairman of the commission, said so far he had accepted nine reports but a further 10 "were still under consideration" which in effect means they have fallen short of official requirements.

"Prospective investors are not able to discover from these audits if the managements of companies had told the truth or not," Mr Paga said.

"Western companies are citing differing accounting rules in Poland and inadequate documentation to say a full audit is impossible, but in fact they are doing a poor job for considerable fees," he said.

Mr Paga's tone could herald a deterioration in relations with western auditors.

However, the commission is under pressure from Poland's Privatisation ministry to accept reports as presented and delay share sales.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 12

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	103¼	103¾		6.21
ALBERTA PROVINCE 9 3/8 95	600	107⅞	108¼		7.02
AUSTRIA 8 1/2 00	400	103⅜	104¼		7.85
BANK OF TOKYO 8 3/8 96	100	102⅞	103⅜	-⅛	7.56
BELGIUM 9 5/8 98	250	109⅝	110⅛		7.69
BFCE 7 3/4 97	150	101⅝	102¼	-⅛	7.36
BNP 8 5/8 94	300	104⅞	105⅜		6.59
BP CAPITAL 9 5/8 93	150	103⅞	104⅜		6.08
CANADA 9 96	1000	107⅛	107⅝		6.87
CARCO 9 1/4 96	650	103⅞	104⅛		8.41
CCCE 9 1/4 95	300	107⅛	107⅝		6.71
COUNCIL EUROPE 8 96	100	103	103½	+⅛	7.22
CREDIT FONCIER 9 1/2 99	300	109⅜	109⅞	-⅛	7.71
DENMARK 8 1/4 94	150	104¼	104⅝	+⅛	6.50
DENMARK 9 1/4 95	1571	107⅛	107½		6.74
ECSC 8 1/4 96	193	104⅛	105⅛		7.10
EEC 7 1/4 93	250	101⅝	101⅞		6.09
EIB 7 3/4 96	250	102⅞	103⅜		7.02
EIB 9 1/4 97	1000	108⅜	109	+⅛	7.39
ELEC DE FRANCE 9 98	200	106⅞	107¼	-⅛	7.58
EURO CRED CARD TST 9 94	325	104⅞	105½	-⅛	7.09
EUROFIMA 9 1/4 96	100	107	107⅜	+⅛	7.29
EXPORT DEV CORP 9 1/2 98	150	109⅜	109⅞		7.64
FINLAND 7 7/8 97	200	102	102½	+⅛	7.39
FINNISH EXPORT 9 3/8 95	200	107⅞	108¼		7.06
FORD MOTOR CREDIT 9 1/2 93	300	103⅞	104½	-⅛	7.29
GEN ELEC CAPITAL 9 3/8 96	300	107⅛	107⅝	+⅛	7.43
GMAC 9 1/8 96	200	104⅛	104⅞	-½	7.91
HALIFAX 9 1/2 93	200	104½	105	-⅛	6.42
IBM WORLD TRADE 7 5/8 93	150	102½	103		6.47
IND BK JAPAN FIN 7 7/8 97	200	100⅞	101⅜	-⅛	7.66
INTER AMER DEV 7 5/8 96	200	101⅞	102¼	-⅛	7.14
ITALY 8 1/2 94	1500	105½	105⅝		6.39
JAPAN DEV BK 8 94	150	103½	104	-⅛	6.43
KANSAI ELEC PWR 10 96	350	109⅜	109⅞	-⅛	7.40
LTCB 8 5/8 93	150	102⅞	103⅛		6.35
NEW ZEALAND 8 93	100	102½	103		6.27
NIPPON CRED BK 9 3/4 93	150	105⅛	105⅝	-⅛	6.73
NIPPON TEL & TEL 9 3/8 95	200	106¼	107⅛	-⅛	7.00
NORDIC INV BANK 9 93	200	104⅛	104⅝		6.07
ONTARIO HYDRO 11 5/8 94	200	110⅛	110⅞		6.59
OSTER KONTROLLBANK 8 1/8 93	200	102⅞	103⅜		5.90
PETRO-CANADA 7 1/4 96	200	100⅝	101	+⅛	7.13
QUEBEC HYDRO 9 3/4 98	150	108⅞	109⅜		8.01
QUEBEC PROV 9 98	300	104⅞	105½		7.98
SAINSBURY 9 1/8 96	150	106⅛	107	+⅛	7.54
SAS 10 99	200	105½	106⅝		8.92
SBAB 9 1/2 95	500	107⅝	108⅛		6.98
STATE BK STH AUST 9 1/4 93	100	103⅝	104⅛		6.09
SUMITOMO BK CAP MKT 9 3/8 93	150	104⅞	105½	-⅛	6.72
SWEDEN 8 1/8 94	150	103⅞	104⅜		6.51
SWEDISH EXPORT 9 5/8 93	100	104⅛	104⅞		5.95
TOKYO METROPOLIS 8 1/4 96	200	104	104½	-⅛	7.26
WORLD BANK 8 3/8 99	1500	104⅞	105⅛	+⅛	7.68
WORLD BANK 8 3/4 97	1500	107½	107⅞		7.15
XEROX CORPN 8 3/8 96	100	101⅝	102½		7.95

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	101¾	102		10.54
BULGARIAN TRADE BK 8 1/2 96	200	84½	85¼	+1	13.01
DEUTSCHE FINANCE 7 1/2 95	1000	97½	97¾		8.36
EIB 5 3/4 98	400	87¼	87¾		8.37
EIB 6 7/8 95	300	96¼	96¾	+⅛	8.00
EUROFIMA 6 1/4 98	400	89¼	89¾		8.41
FERRO DEL STAT 5 3/8 93	500	96¾	96¾		8.72
FIRST INTERSTATE 5 3/4 96	100	84¼	84¾	-½	10.29
IND BK JAPAN FIN 5 5/8 96	200	88¼	88¾		8.96
IND DEV BK INDIA 6 3/8 94	300	90	90		10.28
LUFTHANSA INT FIN 5 7/8 98	500	86¼	86¾		8.63
NACIONAL FINANCIERA 11 95	150	101	101½		10.61
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.61
KREDIETCORP 7 93 LFr	1000	95¾	96¾	+¼	9.65
WORLD BANK 8 96 LFr	1000	96¼	97¼	-⅛	9.07
ABN AMRO HOLDING 9 1/4 01 Fl	750	102¾	103	+⅛	8.81
UNILEVER 9 00 Fl	500	103	103½		8.48
BCE INC 9 5/8 93 C$	300	101⅝	102¼	-⅛	8.33
BELL CANADA 10 5/8 99 C$	150	106¼	107⅛		9.34
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS: [illegible]

YEN STRAIGHTS: [illegible]

FLOATING RATE NOTES (Issued, Bid, Offer, C.cpn): [illegible]

CONVERTIBLE BONDS (Cnv. date, Cnv. price, Bid, Offer, Prem.): [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Derivatives come under fresh scrutiny

By Tracy Corrigan

AS the use of derivative instruments becomes increasingly widespread, the potential risks involved are coming under renewed scrutiny.

In a report entitled "Credit implications for firms that use derivatives", published this month, Moody's highlights the negative and positive implications of derivatives business for banks, securities firms and non-financial companies.

While the US rating agency concedes that derivatives are "key products...often highly profitable in and of themselves" and "vital to core underwriting, trading, asset management and asset/liability management activities", Moody's also points out some of the pitfalls:

- Market risk. The value of derivative instruments is often highly sensitive to any price movement in the underlying instruments. In a complex risk management situation, breaking the risk into its component parts may not provide protection, since the performance of the components may not add up to the performance as a whole because of interactions among the component parts, the report cautions;
- Management risk. The complexity of derivative products makes them hard to manage. Moody's points out that most of the big losses which have come to light – Allied-Lyons' £147m hit in foreign exchange earlier this year, Merrill Lynch's $377m trading losses in 1987 – have been due to poor controls or unauthorised activity;
- Credit risk. Participants are writing more long-term trades and a growing number of counter-parties are companies, rather than the clearing units of securities exchanges. Market volatility means credit exposure is hard to manage;
- Legal risk. Partly because they have not been around for very long, there are often legal uncertainties surrounding the use of derivative instruments. For example, banks were left facing more the £500m in losses when swap transactions entered by UK local authorities were ruled invalid earlier this year because the authorities were not empowered to enter such agreements;
- Regulatory risk. Regulation is at an early stage and rather mixed. As regulation increases, current rules could be altered, adversely affecting counterparties' capacities in the derivatives markets;
- Liquidity risk. The secondary market liquidity of derivatives varies, with generally the more unusual and long-term instruments offering the least liquidity. Illiquid derivative positions are also harder to value accurately.

Amex plans launch of two product groups

By Tracy Corrigan

THE American Stock Exchange (Amex) plans to launch two new product groups next year, designed to take advantage of growing demand for equity index derivatives.

In the US market, Amex is developing a series of sector indices in conjunction with two US brokerage houses. Each index will be made up of 15 to 50 stocks from, say, the pharmaceutical or computer sector of the US stock market.

Amex will calculate and publish the indices which the brokers devise and will list both options and warrants on the indices. "Our interest is to be a public market place," said Mr Benjamin Krause, senior vice-president in charge of the capital markets group. "The brokers are a good gauge of what products the customer wants."

In addition, the exchange plans to develop instruments based on Standard and Poor's Mid-Cap index, which isolates middle-of-the-range companies offering stronger upside potential with relatively low risk.

Looking to Europe, Amex has applications pending at the Securities and Exchange Commission to list products based on the main pan-European indices: the FT-SE Eurotrack 100 and 200 indices and the Eurotop 100 index and the FT-Actuaries Europe index.

Index options and futures already traded in Europe on the London International Financial Futures Exchange (Liffe) and the European Options Exchange (EOE) have so far made little headway. But Mr Krause is "extremely bullish" on the prospects for these instruments in the US, where investors are unfamiliar with individual European markets and would welcome the opportunity to buy the market as a whole. He expects the volume of pan-European products traded by US investors may well be higher than the volume traded in Europe.

Norway considers first Eurodollar deal since 1988

By Simon London

NORWAY was yesterday considering whether to launch a $1bn five-year Eurobond, leading to intense debate among syndicate officials over the correct pricing for the issue.

Deutsche Bank Capital Markets was favourite to win the mandate for the issue, which would be Norway's first Eurodollar deal since 1988. Syndicate officials said the deal should be priced to yield 28 to 32 basis points more than US government bonds, with opinion polarised between the two extremes.

Norway is rated AAA by Standard & Poor's, the US credit rating agency, but faces a banking crisis which has had a negative effect on international sentiment.

Elsewhere, Y155bn Euroyen bonds were launched, adding to the recent weight of supply. KFW, the German state-backed financial institution, came with a Y50bn eight-year issue, lead-managed by Nomura.

This was soon followed by a Y60bn 10-year deal for Chubu Electric Power, the triple-A rated Japanese utility, lead-managed by Daiwa Europe.

The soft tone of the market slowed placement of both deals, although the Chubu deal suffered more, trading down to 99.10 from a fixed re-offer price of 99.30. Participants said the borrower was less well understood by Euromarket investors. KFW bonds were quoted by the lead manager at 99.90 bid, against a fixed re-offer price of par.

France Telecom came with a successful debut international bond issue, a FFr2.5bn eight-year deal, lead-managed by Credit Commercial de France. The bonds were priced to yield 37 basis points more than French government securities, but the yield spread had fallen to 34 basis points by the close of trading, supported by strong overseas buying.

Mexico made its third international bond issue of the year and first sterling issue since 1981, a £100m, seven-year deal lead-managed by Samuel Montagu. The deal carries a coupon of 12¼ per cent and was priced to yield 227 basis points more than UK government bonds.

The lead manager, which pre-placed much of the issue, said that close to half the issue was bought by UK institutional investors. Other participants noted resistance from domestic institutions, wary of the credit quality of the issuer, although the deal was judged to be an overall success.

Also in sterling, National Power, the larger of the two UK electricity generating companies privatised in March, was rumoured to be considering a debut bond issue.

Syndicate officials were expecting a 10-year issue in the region of £150m, priced to yield 80 to 85 basis points more than gilts.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
United Mexican States(a)†	100	12¼	100.417	1998	1⅞/1¼	Samuel Montagu
FRENCH FRANCS						
France Telecom(a)†	2.5bn	9	99.39	1999	30/15bp	CCF
AUSTRALIAN DOLLARS						
Victoria Pub.Auth.Fin.(a)†	100	10½	101.55	2001	2⅛/1⅜	Hambros Bank
SWISS FRANCS						
Thai Petrochem.(Cay.Is.)(b)**§	25	(4½)	100	1998	-	DG Bank (Suisse)
Nippon Seiki(c)**‡†	23	(c)	101⅜	1996	1⅜	Mitsubishi Bk (Switz)
Toko Shoji(a)**†	11	7¾	100	1996	-	Banca del Gottardo
YEN						
Chubu Electric Power(a)†	60bn	6⅛	99.30	2001	0.35/0.2	Daiwa Europe
KFW Int.Finance Inc.(a)†	50bn	6	100	1999	30/15bp	Nomura Int.
IBM Japan(a)†	25bn	6⅛	99.65	1996	¼/⅛	Nomura Int.
Tokyu USA Inc.(a)†	10bn	6.45	101½	1996	1⅞/1.575	Yamaichi Int.
GUILDERS						
Bank Mees & Hope(a)†	200	9	101.40	2001	1/⅝	Bank Mees & Hope
SWEDISH KRONOR						
Nordic Investment Bk(d)†	800	10¾	101.20	1999	1⅞/1¼	Unibank

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Put option after 5 years to yield 7½%-8%. c) Coupon pays 37.5bp over 6-month Libor. Non-callable. d) Amount increased from SKr500m Non-callable.

Bankruptcies hit sentiment on Milan bourse

SENTIMENT on the Milan bourse sunk further yesterday when a local court declared stockbroker Mr Claudio Capelli bankrupt, rejecting hopes of a negotiated agreement with creditors and threatening settlement of the October trading account, writes Haig Simonian in Milan.

The ruling coincided with news that another broker, Mr Gianangelo Sozzi, has declared be is insolvent. Rumours of difficulties among several brokers have overshadowed the market over the past week, depressing already wafer-thin turnover and spurring criticism of regulators and leading brokers for dilatory behaviour.

The latest events will further increase pressures for accelerated reform of trading practices, particularly the brokers' monopoly on share trading and the lengthy settlement process, which involves a four-week account period followed by two weeks' settlement.

Czechoslovakia returns to bond market

Simon London on eastern Europe's continuing steps towards financial rehabilitation

THE return of Czechoslovakia to the international bond market last week marked a further step in the financial rehabilitation of eastern Europe.

The $200m bond issue, in the name of Statni Banka, the central bank, also showed the difficulty in assessing the credit quality of the new wave of sovereign borrowers to tap the international capital markets this year.

Czechoslovakia is not the first eastern European country to launch international bonds. Hungary has led the way, borrowing in D-Marks, Austrian schillings, dollars and Ecu. Both are competing for funds with Latin American borrowers such as Mexico, Venezuela, Brazil, Argentina and, to a degree, South Africa.

The east European states attract less "flight capital" than their Latin American counterparts – private funds moved off-shore which can now be attracted back into international bond issues. This has a marginal effect on the price at which a new issue can be sold.

The Czechoslovakian three-year bonds were priced to yield 3 per cent more than comparable US government securities – a higher price than paid by Hungary or Mexico, but cheaper funding than achieved by Brazil or Argentina.

Yet in terms of financial ratios, Czechoslovakia is among the most credit-worthy emerging borrowers. Debt per capita stands at $506, compared with $1,090 for Poland and $1,887 for Hungary.

Even under the communist system, the economy was more productive than it neighbours. Gross domestic product per capita was $7,603 in 1988, compared with $6,491 for Hungary and $5,453 for Poland.

In addition, the country has never defaulted on its international debt obligations, unlike some Latin American borrowers.

However, the 300 basis point yield spread over US government bonds clearly reflects more than a bare analysis of financial ratios and past debt service record. The pricing of the bonds also includes:

- The political risk that internal divisions within the country might lead to default. There is pressure for greater independence for Slovakia, although the federal government is committed to keeping the country together.

For this reason, the covenants of the bond issue make it a condition of default for Statni Banka to cease to act as the central bank of either the Slovak or Czech republics, or the country as a whole.

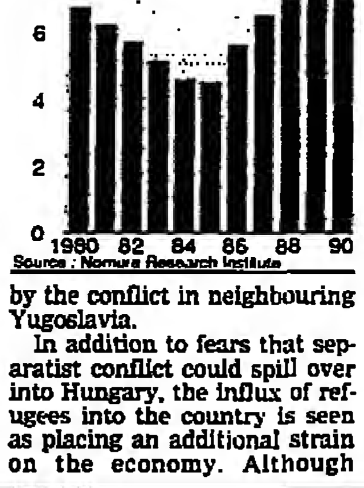
Nomura Securities, which is leading the bond issue, commented that only about 50 basis points of the yield spread reflected these political concerns. However, it noted that even if the country endured a radical political restructuring, the Statni Banka is likely to survive as an entity and remain responsible for its debt obligations.

In this respect, bonds issued by a central bank may be more secure than those issued in the name of the government.

- The residual risk that external political events might lead to damaging economic strain. Hungary has been forced to scale back its ambitious foreign borrowing programme, including a sterling bond issue, by the conflict in neighbouring Yugoslavia.

Czechoslovakia

Hard-Currency Debt ($bn)



Source: Nomura Research Institute

In addition to fears that separatist conflict could spill over into Hungary, the influx of refugees into the country is seen as placing an additional strain on the economy. Although Czechoslovakia is further from the Yugoslavian conflict, it borders both Poland and the Soviet Union and could become the destination for political or economic migrants.

- The unknown economic risks of transforming a command economy to a market economy. Analysts note that Czechoslovakia's economy was more centralised than Hungary or Poland under Communist rule.

Unlike Hungary, there was no reformist communist party to ease the transition from command economy to market economy.

Mr Vaclav Klaus, finance minister, has backed tough policies to stabilise the economy. Inflation has been brought under control, consumer prices barely rose between July and September. Privatisation of 2,000 larger state companies, essential to attract foreign capital, is moving ahead.

However, because the private sector is so small in Czechoslovakia, the costs of adjustment may be greater than Hungary or even Poland. Industrial output is likely to fall by over 20 per cent this year alone.

The longer-term effects of structural adjustment on this scale are largely unknown. Czechoslovakia has the advantage of having agreed a loan facility and monetary targets with the IMF – unlike South Africa, for example.

An IMF facility is important, convincing private investors the country has access to a "lender of last resort".

International appetite for securities is likely to remain limited for some time. A further bond issue, in the Japanese market, is envisaged, but most of Czechoslovakia's $2.5bn financing needs this year will be met by other governments and supra-national lending agencies.

Bankers point to a pattern in the way emerging economies attract overseas capital: privatisation of large enterprises is the first stage (attracting both international equity investment and project finance from foreign banks), followed by development of a domestic stock market, the sale of equity or equity-linked financial instruments abroad and then, finally, wider access to the international debt markets.

While the government has made strides in economic adjustment and privatisation, Czechoslovakia remains at the early stages of this development process.

However, in common with Hungary and other emerging sovereign borrowers to launch bond issues this year, Czechoslovakia has recognised that the foundations for wider access to the capital markets can be laid early in the process of adjustment – even if this requires paying premium interest rates.

Offerings for financial institutions test investor demand

By Tracy Corrigan

SEVERAL equity offerings for financial institutions are testing investor demand for a generally less-favoured market sector.

The first French privatisation offering since the government extended its programme of partial privatisations could attract strong international interest. The offering of shares in Crédit Local de France, which finances French local authorities, will be priced on November 18 and the subscription period runs from November 19 to November 29.

The offering of 25 per cent of the companies' shares is expected to raise close to FFr2bn, depending on the valuation of the whole company, which is likely to be set at FFr7bn-FFr8bn.

The international tranche, via Paribas, will represent 20 per cent of the total offering, but if the domestic tranche is oversubscribed there is a 15 per cent clawback from the international tranche. The state will retain a 50.5 per cent stake in the Crédit Local, mainly through Caisse des Dépôts.

According to analysts, the success of the international tranche will depend on the valuation of the company and whether domestic investors consider it fair.

Meanwhile, Credit Suisse First Boston is expected to have a tough time selling the international tranche of 25m shares in Banco di Napoli, part of an initial public offering totalling 100m ordinary shares, priced at L4,000 a share. It is the second deal for an Italian bank following a Credito Italiano offering earlier this year.

The Italian stock market has performed poorly, and the expectation that more Italian banks, including better-liked names such as Istituto Bancario San Paolo di Torino and Banco Commerciale Italiano, will follow is further dampening investor interest. Analysts say the pricing of the ordinary shares is aggressive when compared with the savings shares.

Elsewhere, Kia Motors, the Korean car company, has launched a $100m issue of global depositary receipts via Morgan Stanley and Lucky Securities.

The issue is divided into two tranches, a $34m tranche to be placed in the US, under rule 144A, and $66m in Europe and the Far East.

It is the third equity offering – as opposed to convertible or warrant deals – to come out of Korea.

The company has three large corporate shareholders: Ford, Mazda and C Itoh own 20 per cent between them, due to a special exemption from normal stock ownership rules. When the Korean market is opened up to foreign investors in January, foreign ownership will still be restricted to 10 per cent, so no further shares can be offered in Kia.

The Kia shares are expected to be priced at a premium of 15 per cent to 18 per cent.

- TELEVISA, the Mexican media monopoly, is said to be preparing a large equity offering, with domestic, US and European tranches, via Goldman Sachs.

INTERNATIONAL EQUITY ISSUES

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Nov 12 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Nov 11 Index No.	Fri Nov 8 Index No.	Thu Nov 7 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (181)	803.78	-0.8	8.72	6.07	14.59	32.12	809.99	817.91	812.44	687.42
2	Building Materials (23)	983.87	-0.8	7.44	6.33	17.74	41.35	991.63	997.34	980.01	911.72
3	Contracting, Construction (30)	1061.39	-1.5	7.65	6.92	18.51	50.73	1077.79	1083.41	1074.70	1111.44
4	Electricals (11)	2486.77	-0.1	8.79	5.87	14.42	98.23	2490.23	2512.12	2511.77	1807.88
5	Electronics (25)	1734.03	-0.2	10.72	5.50	11.86	51.95	1737.01	1730.90	1726.12	1583.53
6	Engineering-Aerospace (8)	350.98	-1.7	15.97	7.40	7.56	18.52	357.03	360.14	357.57	389.30
7	Engineering-General (43)	483.96	-0.5	10.12	5.23	12.16	16.79	486.36	489.07	487.47	348.29
8	Metals and Metal Forming (9)	352.36	-4.9	2.10	10.06	-	18.43	370.51	422.37	426.09	394.33
9	Motors (12)	327.00	-2.2	7.92	7.36	16.77	17.56	334.38	338.02	338.14	272.08
10	Other Industrial Materials (20)	1586.94	+0.1	7.95	5.14	14.95	57.59	1584.65	1584.69	1571.78	1139.11
21	CONSUMER GROUP (190)	1601.80	+0.8	7.15	3.49	17.30	36.47	1588.90	1590.33	1578.00	1178.41
22	Brewers and Distillers (22)	1964.41	+0.2	7.84	3.42	15.52	38.33	1960.18	1949.96	1937.06	1478.01
25	Food Manufacturing (19)	1220.09	+0.2	9.28	4.10	13.33	30.09	1217.38	1218.08	1199.96	992.67
26	Food Retailing (17)	2446.31	+0.9	9.30	3.36	14.00	58.06	2424.28	2422.46	2391.96	2226.79
27	Health and Household (23)	4122.11	+1.9	4.90	2.29	23.41	67.75	4044.21	4039.25	4019.65	2404.68
29	Hotels and Leisure (24)	1362.92	+0.4	7.48	5.17	16.52	45.61	1356.98	1354.46	1340.99	1190.89
30	Media (26)	1494.48	+0.3	7.06	4.77	18.51	47.37	1489.56	1496.75	1481.39	0.00
31	Packaging, Paper & Printing (17)	770.67	....	7.00	4.31	17.31	24.09	770.50	770.21	765.67	478.37
34	Stores (32)	1034.08	+0.5	7.28	3.59	18.00	25.03	1028.86	1042.47	1037.98	790.85
35	Textiles (10)	648.75	+1.2	7.17	4.79	17.77	19.91	641.09	644.08	643.26	413.24
40	OTHER GROUPS (110)	1256.08	+0.9	9.54	5.19	13.21	36.29	1244.90	1243.46	1236.36	948.15
41	Business Services (12)	1398.00	....	7.81	4.67	15.84	39.29	1397.97	1392.46	1391.67	0.00
42	Chemicals (21)	1430.81	+0.4	7.05	5.06	17.52	48.39	1425.64	1422.75	1406.26	1015.09
43	Conglomerates (11)	1456.10	+0.6	9.92	7.20	12.22	38.87	1447.15	1455.43	1448.51	1204.42
44	Transport (13)	2344.54	+1.7	6.18	4.81	20.78	68.25	2306.38	2326.74	2314.88	1767.20
45	Electricity (16)	1208.35	+0.9	14.54	5.39	8.97	27.53	1197.46	1201.95	1208.34	0.00
46	Telephone Networks (4)	1513.76	+1.1	10.20	4.12	12.84	28.34	1497.87	1479.23	1466.11	1073.90
47	Water (10)	2412.94	+1.1	16.93	6.41	6.54	125.82	2387.04	2384.52	2395.22	1969.14
48	Miscellaneous (23)	1867.48	+1.1	5.24	5.28	26.44	70.30	1846.65	1857.16	1835.41	1485.82
49	INDUSTRIAL GROUP (481)	1292.81	+0.5	8.20	4.50	15.28	35.98	1285.77	1288.19	1279.29	987.42
51	Oil & Gas (19)	2386.10	+0.4	10.96	5.83	12.06	103.73	2376.16	2387.69	2374.15	2271.43
59	500 SHARE INDEX (500)	1387.40	+0.5	8.53	4.66	14.80	41.31	1380.06	1383.16	1373.81	1092.52
61	FINANCIAL GROUP (91)	783.29	+1.0	-	5.94	-	32.19	775.85	771.79	765.96	683.38
62	Banks (9)	912.42	+1.0	4.57	5.85	41.40	37.46	903.02	895.57	881.91	721.86
65	Insurance (Life) (7)	1513.47	+0.6	-	5.60	-	63.68	1504.35	1497.36	1483.81	1271.60
66	Insurance (Composite) (6)	584.22	+2.8	-	7.52	-	32.94	568.11	565.83	567.17	584.28
67	Insurance (Brokers) (10)	1106.79	+0.5	7.37	6.02	17.78	43.14	1101.36	1099.29	1103.33	913.17
68	Merchant Banks (7)	490.05	+1.2	-	4.31	-	13.08	484.27	480.83	482.86	339.58
69	Property (35)	899.29	-0.4	5.89	5.15	24.28	25.28	902.79	902.88	899.35	936.11
70	Other Financial (17)	250.13	-0.1	11.33	6.91	11.10	11.72	250.46	249.80	249.87	242.85
71	Investment Trusts (70)	1218.14	+0.4	-	3.56	-	29.18	1212.89	1213.54	1210.61	996.55
99	ALL-SHARE INDEX (661)	1242.07	+0.6	-	4.79	-	38.60	1234.87	1236.43	1228.08	992.08

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 11	Nov 8	Nov 7	Nov 6	Nov 5	Year ago
FT-SE 100 SHARE INDEX‡	2575.5	+20.6	2580.3	2559.0	2554.9	2559.0	2538.0	2534.2	2540.9	2056.0

FIXED INTEREST

	PRICE INDICES	Tue Nov 12	Day's change %	Mon Nov 11	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (27)	122.04	-0.02	122.07	1.81	10.75
2	5-15 years (28)	135.33	+0.05	135.26	2.06	11.84
3	Over 15 years (8)	143.51	....	143.51	2.06	11.50
4	Irredeemables (6)	156.78	+0.03	156.73	0.51	13.45
5	All stocks (69)	133.39	+0.02	133.36	1.99	11.60
	Index-Linked					
6	Up to 5 years (2)	167.05	+0.08	166.91	0.43	3.16
7	Over 5 years (9)	149.62	+0.12	149.44	0.90	3.83
8	All stocks (11)	150.89	+0.11	150.72	0.83	3.81
9	Debs & Loans (60)	113.53	+0.03	113.50	1.84	9.62

	AVERAGE GROSS REDEMPTION YIELDS		Tue Nov 12	Mon Nov 11	Year ago (approx.)
	British Government				
1	Low	5 years	8.42	8.44	10.31
2	Coupons	15 years	9.46	9.46	10.79
3	(0%-7¾%)	20 years	9.47	9.47	10.82
4	Medium	5 years	9.64	9.63	11.35
5	Coupons	15 years	9.57	9.58	11.24
6	(8%-10¾%)	20 years	9.55	9.55	11.28
7	High	5 years	9.85	9.84	11.46
8	Coupons	15 years	9.66	9.66	11.44
9	(11%-)	20 years	9.60	9.60	11.51
10	Irredeemables	†	9.67	9.67	10.97
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.81	3.82	3.62
12	Inflation rate 5%	Over 5 yrs.	4.23	4.24	4.23
13	Inflation rate 10%	Up to 5 yrs.	3.22	3.23	2.45
14	Inflation rate 10%	Over 5 yrs.	4.06	4.07	4.06
15	Debs &	5 years	11.33	11.31	13.36
16	Loans	15 years	11.13	11.13	12.86
17		25 years	10.95	10.95	12.50

‡Opening index 2559.1; 9 am 2567.0; 10 am 2566.5; 11 am 2566.9; Noon 2573.0; 1 pm 2576.0; 2 pm 2578.2; 2.30 pm 2578.2; 3 pm 2579.6; 4.10 pm 2574.8; (a) 2.56pm (b) 8.40am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	23	29	30
Corporations, Dominion and Foreign Bonds	6	4	10
Industrials	244	207	1,033
Financial and Properties	131	86	543
Oils	9	22	59
Plantations	0	0	10
Mines	18	36	98
Others	31	59	68
Totals	462	443	1,851

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
180	F.P.	-	200	188	Adam & Harvey	196		W10.0	5.9	6.8	3.3
-	F.P.	-	2½	2	Butte Mining Wrnts.	2½		-	-	-	-
†	F.P.	-	110	83	Capital Ventures 1p	83		-	-	-	-
4	F.P.	-	9½	3	Calver 1p	3		-	-	-	-
100	F.P.	-	102	97	Drayton Recovery Trust	98		M7.8	-	10.6	-
25	F.P.	-	26	26	♦Dumas Group 10p	26		-	-	-	64.2
-	F.P.	-	23	18	Eng. & Scott. Wrnts	20		-	-	-	-
♦	F.P.	-	130	122	European Motor 40p	122		-	-	-	-
-	F.P.	-	320	213	Eurotunnel '91 Wrnts.	228	-2	-	-	-	-
100p	F.P.	-	507	483	Fidelity Euro Values Units	483	-2	-	-	-	-
§235	F.P.	-	283	256	Frost Group	281		a2.0	0.9	0.9	12.0
100	F.P.	-	115	105	Gartmore Scotland Inc.	109		M11.6	-	14.2	-
100	F.P.	-	99	85	Do. Capital	89		-	-	-	-
-	F.P.	-	£665	£605	Do. Units	£650	-5	-	-	-	-
195	F.P.	-	216	210	JIB Group 10p	216	+1	R7.5	1.8	4.6	16.0
587	F.P.	-	570	563	*Latin Am Extra Yld	570		-	-	-	-
§828	F.P.	-	22	18½	M & G Income Cap. 1p	18½		-	-	-	-
-	F.P.	-	66	61	Do. Geared Units	63	+½	M4.91	-	10.4	-
§44	F.P.	-	45	44	Do. Income 1p	44½		M4.91	-	14.7	-
100	F.P.	-	102	97	Do. Package Units	98		M4.91	-	6.7	-
50	F.P.	-	54	44	♦Simpsons of Cornhill 5p	44		-	-	-	13.6
62½	F.P.	-	65	62	Vlack Holdings 5c	65		-	-	-	-
-	F.P.	-	3	1½	Wills Group Wrnts.	2½		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
10p	F.P.	-	9p	8p	Butte Mining 10pc (Net) Cv Prf 1994	9p	
100	F.P.	-	100	98½	Camborne Inds. 10½pc Rd. Deb. 2001	98½	
100p	F.P.	-	102p	100p	Drayton Recovery Tst. Prfd. Growth £1	100¼p	
100p	F.P.	-	103p	101p	Fidelity Euro Values Equity Ln 2001	103p	+2
100p	F.P.	-	112½p	104¼p	Gartmore Scotland Zero Div Prf	112½p	
105	F.P.	-	105	100	Greencore 9.5% Cnv Un Ln Stk 1995	100	
34½p	F.P.	-	37p	35¼p	M & G Income Zero Div Prf. 1p	36p	
100p	F.P.	-	104p	101¼p	NatWest Bank 9pc Prf Series A	101¼p	-½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
33	Nil	25/11	8pm	8pm	Anglo Eastern Plantations	8pm	
10	Nil	20/11	2pm	¼pm	British Thornton 5p	¼pm	
350	Nil	10/1	111pm	93pm	De La Rue	111pm	+5
100	Nil	22/11	31pm	22pm	European Motor 40p	22pm	
Ir7.5	Nil	12/12	1¼pm	¼pm	♦Kenmare Res Ir5p	¼pm	
215	Nil	-	33pm	31pm	More O'Ferrall 10p	32pm	
125	Nil	-	10pm	10pm	PCT Group 10p	10pm	
17	Nil	27/12	3pm	2pm	♦SelecTV 1p	2pm	-½
450	Nil	12/12	88pm	80pm	Serco Group 2p	87pm	
282	Nil	23/12	45pm	42pm	Slow Food 5p	42pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Unregulated collective investment scheme.

TRADITIONAL OPTIONS

- First Dealings — Nov. 4
- Last Dealings — Nov. 15
- Last Declarations — Feb. 8
- For settlement — Feb. 17

For rate indications see end of London Share Service

Calls in ASDA, British Steel, Ferranti, Maxwell Comm., Mirror Group News., Natl. Home Loans, Spring Ram and TVS Entertainment. Puts in Dwyer and Maxwell Comm.

LONDON TRADED OPTIONS

[illegible]

*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

MCC expected to pass dividend

By Raymond Snoddy

MAXWELL Communication Corporation, the international publishing group, is expected to pass its interim dividend when half-year results are announced at the end of this month.

The decision has been taken, it is believed, to leave as many options as possible open until the immediate aftermath of Mr Robert Maxwell's death last week is over.

The decision does not mean that MCC, which has total debts of about £1.4bn, will not pay a final dividend after the end of the financial year.

Meanwhile MCC, now under the chairmanship of Mr Kevin Maxwell, yesterday announced its second planned disposal since the death of Mr Maxwell, who was buried in Israel on Sunday.

MCC has reached agreement for the sale of Macmillan Computer Publishing to Paramount Communications for $157.5m cash. The book value of the company, under UK accounting standards, was $189.4m (£106.6m).

Macmillan Computer Publishing specialises in books and software for the microcomputer market. In the year to March the company had annual sales of $59.7m and operating profit before interest of $17.5m. It will become part of Simon and Schuster, the Paramount publishing company.

Last week MCC said it had an agreement to sell its majority stake in Berlitz International, the language training and travel publishing company to Fukutake Publishing of Japan in a deal worth $260m.

The main Maxwell family quoted company is now within $80m of raising the cash to repay $750m of debt due next October.

Mr Kevin Maxwell has said he does not intend to sell any more MCC businesses and that future disposals will come from the private Maxwell companies which owe about £750m.

The private debts are backed in part by MCC shares. Because the MCC share price has slumped since Mr Robert Maxwell's death further collateral will now be required. Mr Kevin Maxwell is now working on a package with the banks under which private property interests and share stakes will be pledged.

Shares of MCC dropped 3p to 65p while MGN advanced 2p to 116p.

Group could face heavy tax charge in US

By Bronwen Maddox

MAXWELL Communication Corporation, the publishing company headed by Mr Robert Maxwell until his death last week, could face a huge capital gains tax bill in shedding some of its US businesses, which could greatly inflate its historically low tax charge, accountants have said.

However, the company said this was "fair comment – in theory – but in practice it is unlikely we will have a big problem". In the year to March 1991, MCC's tax charge was only 14 per cent of its pre-tax profits of £145.5m.

The solutions MCC appears to have found to the tax threat shed more light on the complexity of the group's structure.

Yesterday's agreement to sell Que, the computer books business to Paramount for $167m (£94m) follows last week's agreement to sell MCC's remaining shares in Berlitz, the language training and educational publisher.

MCC, which has net debt of £1.4bn (before the proceeds of Berlitz and Que), is believed to have instructed the US banks Salomon Brothers, Goldman Sachs, Bankers Trust and Merrill Lynch to seek buyers for many of its key businesses.

MCC is made up almost entirely of US businesses acquired in one week in November 1988, when it paid $2.6bn for Macmillan, the US publisher, and $750m for Official Airline Guide.

MCC's potential tax exposure arises because it bought the entire share capital of Macmillan but is selling its assets individually.

That means that the Inland Revenue Service would base the calculation of capital gains tax on the original cost of the businesses to Macmillan, rather than the cost to MCC.

As Macmillan created and grew most of its businesses, rather than acquired them, the historic cost of many of its businesses will be very low, even though MCC paid a high price for the whole of Macmillan.

Therefore the taxable profit – the difference between that value and the sale price – could be very high, and so could the capital gains tax liability.

However there appear to be several routes through which MCC might be able to reduce the liability. It is understood to have some US tax losses which could offset some overseas gains.

It might also be able to remit some profits back to the UK as an inter-group interest movement – in effect, an interest payment from the US to the UK on the original debt used to finance the acquisition.

In the UK, MCC is believed to have further available tax losses which could offset part of any US capital profit. MCC said it had also written off about £28m advance corporation tax and that could offset some gain on the disposal of US businesses.

Turnbull Scott declines 37% to £481,000

The "worst recession in living memory for truck owners" meant that Turnbull Scott Holdings, the motor and property group, turned in a first half pre-tax figure down 37 per cent, from £760,000 to £481,000, and is predicting only a "modest profit" for the full year.

Interest charges were cut from £613,000 to net interest received of £165,000. The group had "reasonable cash balances" and was looking for new business, said Mr Graham Turnbull, chairman.

Turnover fell to £6.74m (£14.8m). Earnings per share were 4.9p (7.7p) and there is again no interim dividend.

An extraordinary charge of £531,000 (£268,000) related to discontinued activities and losses on disposals.

Lofs rises by 12% to $1.2m at half-year

Higher revenues, lower interest charges and a weaker pound helped London & Overseas Freighters, broker and transport agent, lift pre-tax profits by 12 per cent to $1.24m (£720,000) for the half year to September 30. The comparable figure was $1.11m.

Total freight and hire revenues improved from $5.08m to $5.77m. Net interest payable was $355,000 ($595,000).

Earnings per share improved from 8.68 cents (4.87p) to 9.95 cents (5.89p) after tax last time of $28,000. At September 30 the market value of the company's two vessels was $23.5m each. At the March 31 year-end the value was $24.5m.

The company said it expected increases in its property and liability insurance costs.

Recession slows Leigh Interests growth to 6%

By Peggy Hollinger

LEIGH INTERESTS, the waste management company, yesterday announced pre-tax profits 6 per cent higher at £7.1m for the six months to September 30 1991.

Analysts had expected the figure to be closer to £8m and downgraded forecasts for the year from about £18m to £16m. The shares fell 5p to close at 279p.

Dr Arthur Kent, finance director, said the results had been held back by the severe economic slowdown in the south of England, where the group derives about 25 per cent of its turnover. There had been far less waste from the construction sector and, so far, he said, the group had seen no sign of an upturn. "We do not see it improving before the spring," he added.

The £33m acquisition of HT Hughes in September 1990 was largely behind the £12.6m rise in group sales to £58.86m. However, the fact that Hughes was based in the hard-pressed south meant that its contribution had been "quite small", Dr Kent said. That fact, and the larger number of shares to carry out the Hughes purchase, had pushed earnings per share down by 13 per cent to 7.7p.

Capital expenditure of £20m was planned for this year, similar to 1990.

The group, which has for years been ungeared, reported debt of £25m (nil) at the half-way stage. Gearing was 35 per cent.

The interim dividend was increased from 2.40p to 2.46p

Shares rise as Chrysalis future is in negotiation

By Andrew Bolger

CHRYSALIS GROUP, the records, communications and media company, has announced that Mr Chris Wright, its chairman, might make an offer for the 53 per cent of the shares which he does not already own and take the group private.

Chrysalis has also said that, in the light of uncertain trading conditions in North America, it is in talks with Thorn EMI which might involve the music and electronics group acquiring Chrysalis's half-share of their jointly-owned record division.

Thorn EMI paid Chrysalis $96.6m (£56.10m) for its half-share of the loss-making records division in 1989, but Chrysalis said it did not expect that the consideration paid by Thorn EMI would be more than the £25m which Chrysalis had since invested in the division.

Chrysalis said it was making the announcement because of the recent upward movement of its share price, which dipped to 39p in February. The shares surged in March on rumours of a buy-out or a full bid from Thorn EMI. Yesterday they closed at 104p, up 13p on the day.

Chrysalis said after the market closed that any offer from Mr Wright was likely to be about 95p per share.

The company emphasised that the talks on the records division did not involve Thorn EMI acquiring any interest in Chrysalis.

In July, Chrysalis partly blamed a lack of consumer confidence during the Gulf war for a pre-tax loss of £2.85m in the six months to February 28, compared with profits of £487,000. Turnover was down slightly at £50.32m (£52.9m).

Court says Polly order will stand

By David Barchard

MR Menteş Aziz, a Turkish Cypriot lawyer, yesterday failed to win a High Court bid for the lifting of a temporary £6m asset-freezing order obtained against him last month by the administrators of Polly Peck International.

The court's decision follows a similar ruling at the weekend against the Turkish Cypriot central bank which tried unsuccessfully to have a freezing order lifted on £38.9m of its assets held in London.

Mr Aziz, who acted for Asil Nadir, the Polly Peck chairman and his family, is one of seven defendants being sued in an action brought by Polly Peck's administrators.

The action is aimed at recovering up to £500m of funds allegedly improperly transferred out of the company.

Mr Justice Harman said that the order freezing his assets pending further moves in the administrators' action was well warranted and should not be discharged at this stage.

Mr Aziz was ordered to pay the administrators' costs.

Waverley Mining

Waverley Mining Finance cut its loss before tax from £135,500 to £107,000 in the six months to September 30.

Net asset value at the end of September for the Edinburgh-based company – which invests in gold mining outside South Africa – was 23.7p, against 42.2p last time and 30.6p at the March 31 year-end.

Losses per share were 0.9p (1.1p).

Harrison bid talks

Harrison Industries, the industrial doors, power transmission and castings group, yesterday announced that discussions were taking place with another company which could lead to an agreed offer being made for Harrison.

Mr Ken Harrison, chairman, said he hoped to make an announcement next week.

Antares suspended

Shares in Antares Group, the fuel oil distributor, were suspended yesterday at 1½p at the company's request pending the result of discussions about a possible acquisition.

Overseas growth behind Body Shop's advance to £9.15m

By Jane Fuller

STRONG OVERSEAS growth, including the first profit contribution from the US, lay behind a 37 per cent increase in interim pre-tax profit, from £6.69m to £9.15m, at The Body Shop International.

The results were welcomed with a 9p rise in the share price to 321p, just 1p short of the two-year high achieved at the beginning of 1990.

Anita and Gordon Roddick's eco-friendly beauty products business has more than 700 shops in 40 countries, with less than a third of them in the UK.

Mr Roddick, chairman, said the company was taking a conservative view of prospects in the UK. No growth was expected at existing stores before the second half of next year.

Turnover grew to £63.2m (£48.1m) in the six months to August 31 when 16 shops were opened in the UK and 63 added overseas – 24 in the US and the rest spread across continental Europe and Asia. The US operation, which lost £800,000 in the first half of last year, contributed £100,000. Sales more than doubled to $18.4m (£10.6m).

In the US, unlike most other regions, Body Shop was the head franchisee and so had had to stomach the high start-up costs. "The number of openings has now fulfilled the needs of the overheads," he said. By the end of this year there would be nearly 80 shops and 50 to 60 openings were planned for next year.

Overall, the overseas shops increased trading profit by 86 per cent to £3.9m. The one area of decline – a 30 per cent one – was Canada, where the head franchisee destocked because of recession. In continental Europe, which has 225 shops compared with about 200 in the UK, like-for-like growth was 18 per cent and the total retail growth was 45 per cent.

More than 60 per cent of the £10.5m trading profit came from the UK and the Irish Republic, which added £500,000 to reach £6.6m.

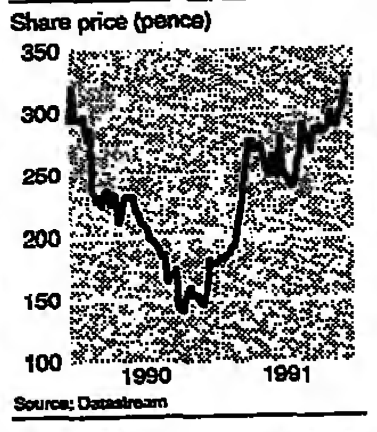
Domestic sales were not immune from the recession. A like-for-like increase of 1 per cent came thanks to price increases, not volume. Shop openings drove up overall sales by 15 per cent.

Capital spending is set to rise to £23m (£18m) this year because of a bulge in office and factory development. Mr Roddick said year-end gearing would be about 45 per cent, compared with 30 per cent.

On a reduced tax rate, earnings to 3p (2p). The interim dividend goes up to 0.68p (0.52p).

Body Shop

Share price (pence)



Source: Datastream

Gordon Roddick: cautious view of UK prospects

● **COMMENT**

While other retailers puzzle over how their fare will be accepted in other countries, Body Shop's formula has been exported unchanged from Iceland to Indonesia, providing an unalloyed example of sticking to a core business. Sighs of relief at the first profit from the US have been rapidly followed by some glee at the potential rewards of that market. The careful start in Japan strikes similar talk about potential. In the UK, not only is the saturation target within three-year sight, but also the mention of newer shops limiting the old nibbled away at reassurance. The rest of this year hangs on Christmas and, as with last year, the lack of complacency is encouraging. Ten trading posts, with carts and barrows, are being set up cheaply for the seasonal run-up. A profit forecast of £26m to £27m (£20m) gives a prospective p/e of more than 35. The time to buy was last October when the share price bottomed out at 130p. It still warrants holding for its growth performance.

Great Portland progresses to £17.52m

By Vanessa Houlder, Property Correspondent

GREAT PORTLAND Estates, the UK's sixth largest property company, yesterday announced an increase in pre-tax profits from £17.15m to £17.52m in the half-year to September 30.

Mr Richard Peskin, chairman, described the results as "reasonable progress in what remain awkward conditions".

Great Portland, whose investment portfolio is heavily biased towards central London offices, said that although tenants continue to hold "the whip hand" in negotiations for space, particularly in the City, it had detected a slight improvement in demand over the past two months for property north of Oxford Street.

The company's voids have increased from 3 per cent in March to 8 per cent as the development programme got nearer to completion.

Mr Peskin said the company had "plenty of ammunition to take advantage of today's market". Two weeks ago, it issued a £100m 10⅝ per cent first mortgage debenture stock 2021.

The debenture properties were valued by Hillier Parker at about 6.5 per cent less than at March 31 1991, largely as a result of a further weakening in rental values.

The share of profits of Bride Hall, its 50 per cent owned trading and development company, fell from £556,000 to £74,000.

Earnings per share fell from 5.7p to 5.6p. The interim dividend was maintained at 3.4p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Irish	int	3.6♣	Dec 12	3.5	-	7.75
Body Shop	int	0.68	Jan 16	0.52	-	1.22
British Airways	int	2.94	Jan 10	2.8	-	8.85
Gt Portland Ests	int	3.4	Jan 9	3.4	-	10
Leigh Interests	int	2.46	Dec 13	2.4	-	7.64
Marshalls	int	1.25☆	-	1.25	-	5
Meyer Intl	int	4.2	Feb 7	4.2	-	16.5

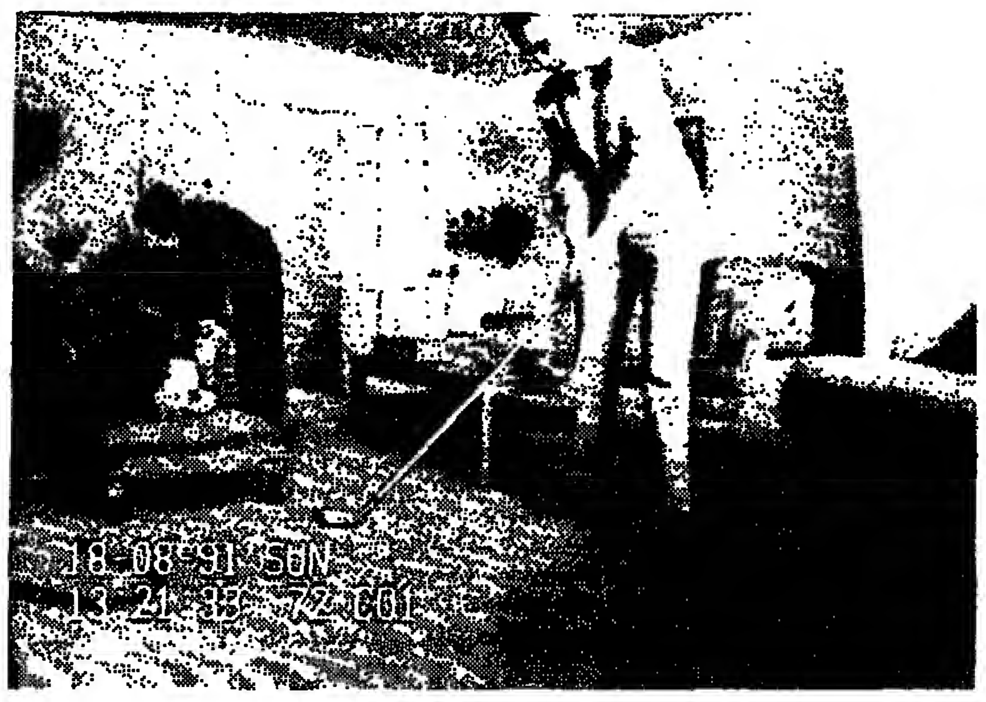
Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency. ☆Scrip option.

● **COMMENT**

Armed with a £200m war chest, Great Portland has the firepower to make some interesting acquisitions, one of which may be signed this week. But faced with yesterday's news, the market had no difficulty in containing its excitement, allowing the share price to drift down 3p to 192p. Acquisitions aside, the company's prospects are drab. Its portfolio has no reversionary potential at present and its level of voids could rise to 11 per cent by next March, at which point the rates bill on its empty buildings could become a significant drag. The year-end's profits could also take a knock as the result of a likely write-off of interest costs in Bride Hall, following a conservative change to the group's accounting policy. Asset values will be down at the year-end, perhaps to 255p, and will probably fall further in the following year. The yield, however, is a redeeming feature for Great Portland's shareholders. Assuming, as seems likely, that the company maintains its dividend, the shares are yielding 6.8 per cent, which is 40 per cent more than the market average.

Advertising on TV is half as effective as you think.

To find out why, study the figures below.



These stills are taken from real film shot by cameras hidden in TV sets.

IF YOU ARE a large advertiser, you will certainly be familiar with the argument for putting your product or service on television.

You will have been told, given its large captive audiences and 'intrusive' nature, that television advertising is a must for anyone who needs to reach a mass market.

If you're a small advertiser, you will have learned to recognise the pitying tone of the agency account director who explains to you that 'for the kind of impact that television gives you, the start price is at least a million.'

Just how much impact you really get from television advertising has been demonstrated by a recent study of viewing habits.

The fact is that viewers have become very clever at avoiding the commercials.

Dr. Peter Collett, a research psychologist, set out to discover exactly what did go on during commercial breaks.

By using videocameras hidden inside their television sets, he was literally able to see what viewers did when the commercials came on. His findings, whether you are a large advertiser or small, make uncomfortable reading.

Dr. Collett saw that 20% of all commercials played to empty rooms. His videotapes revealed that advertising breaks are the cue for people to escape the commercials.

Some left the room. Others used their remote-control 'zappers' to sample the action on other channels. As a result, another 10% of commercials were lost. Only 70% of commercials had any audience at all.

But the tapes show people talking, reading, sleeping. Even, as you can see from one of the figures above, refining their golf swing.

Half the time, no-one was actually watching the TV set. So in effect only one third of all commercials had the viewers' attention. It would appear that television advertising is less than half as effective as you thought it was.

You have read these facts in a newspaper advertisement.

It has taken you perhaps three minutes and you have read every word so far.

While reading this newspaper, you have not been able to behave as though it wasn't there. If you put it down and go to make a cup of tea, or polish your shoes, it will still be there when you return.

We think it unlikely that you could practice your golf swing while reading this advertisement, but please don't take it as a challenge.

In short, this advertisement has held your full attention.

And if its impact still has not fully struck home, please make this simple calculation.

How much would it cost you to reach the equivalent of this newspaper's audience on television, and buy three minutes of their undivided attention?

Far be it from us to imply that all money spent on television advertising is a waste of money. Only two thirds of it is.

Nor are we suggesting that you abandon television, just that you stop to think about what other powerful options are available. Like the one that has just been demonstrated to you. The newspaper.

If you'd like more information, please call 071-433 1500.

PEOPLE READ NEWS-PAPERS

This advertisement was placed by the Newspaper Publishers Association.

UK COMPANY NEWS

Bad debt provisions leave AIB 28% lower at I£88m

By David Barchard

ALLIED IRISH Bank yesterday reported pre-tax profits of I£87.8m (£81m) for the half year to September 30 1991, after making increased charges against bad debts.

Although the result was down by 28 per cent on last time's I£121.3m, it was greeted by analysts as encouraging as it was considerably better than the £57.5m achieved in the second half of last year.

Mr Patrick Dowling, deputy chief executive, said that the change during the present year was a welcome trend which showed overall improvement by the group.

Total assets of the group grew from I£16.9bn a year ago to I£18.4bn. Net interest income rose slightly from I£360m to I£367.1m, while non-interest income was up from I£134.4m to I£149.2m.

The net interest margin was 4.2 per cent (4.6 per cent). The group's cost/operating income ratio was almost unchanged at 63.7 per cent (63.6 per cent).

The bad debt charge of I£100.5m was up from I£60.4m a year ago, but down from the I£113.7m in the half year to March. The largest provisions were made in the UK, mostly against commercial lending, where the bad debt charge rose from I£11.1m a year ago to I£36.8m.

Patrick Dowling: welcome trend since the year-end

The provisions drove AIB's 38-branch operation in the UK into an I£18.1m loss (I£8.3m profit). In Ireland, the group's profits were up from I£76.4m to I£87.3m.

During the six months, AIB completed the purchase of TSB's Northern Irish branches and established its own life assurance subsidiary, Ark Life, in Dublin.

In the US, First Maryland Bancorp made increased profits of I£18.8m, up from I£18.5m a year ago, and well up on the I£2.8m in the second half of last year. However, there was a bad debt charge of I£28.5m, unchanged from a year ago.

Profits in the capital markets division fell sharply from I£40.5m a year ago to I£17.4m.

Earnings per share were down from 12.1p to 8.5p, but the interim dividend is increased in line with inflation from 3.5p to 3.6p. AIB's shares closed at 173p, up 5p on the day.

Marshalls falls 23% to £7.13m

By Michiyo Nakamoto

SEVERE PRICE competition in the recession-hit building materials market continued to depress profits at Marshalls, the Halifax-based building materials manufacturer.

In the six months to September 30, the group suffered a 23 per cent decline in pre-tax profits to £7.13m, against £9.21m. Turnover fell 6 per cent to £97.9m (£104.6m), as profit margins were eroded.

Mr Andrew Marshall, chairman, said that the second half was not being helped by political uncertainty in the run up to a general election.

However, the interim dividend is held at 1.25p and Mr Marshall said that the group "would be happy to carry an uncovered dividend for a year." Earnings per share fell to 2.77p (4.48p).

Operating profits from the concrete activities, which make up 75 per cent of Marshalls's business, were 12 per cent lower on turnover down 4 per cent.

Brick sales at Armitage Bricks increased by about 20 per cent at the expense of margins, which fell by 30 per cent.

The group has been shifting its product emphasis from standard specification bricks to higher margin products, such as decorative facing bricks, and clay pavers, which are used in pedestrian precincts, sales of which had increased during the period. Sales of facing bricks were up 3 per cent and clay pavers rose 5 per cent.

Trent Jetfloor, which supplies concrete flooring beams to the housing market, continued to report weak prices and lack of demand. The company expects difficult trading for another year and the workforce has been reduced by more than 30 per cent.

Tight controls were kept on costs to reduce gearing and capital expenditure was being reduced, having fallen to £4m in the previous year from £12m.

Borrowings fell to £39.4m (£41.3m) with gearing reduced to 39.8 per cent (41.3 per cent).

● COMMENT

The lower results at Marshalls do not look that dismal for its sector. The group has at least proved that it is a survivor and the move towards higher margin products makes for an encouraging outlook in the long term. Nevertheless, Marshalls openly admits that the turnaround is some time off. The brick market still suffers from overcapacity while in terms of its overall customer profile, it is not exposed to areas expected to see early recovery, such as repair and maintenance. The only likely bright spot in the short-term is a politically inspired pick up in local authority spending prior to the general election. A dividend yield of 7.4 per cent may look attractive but it will be sometime before the dividend is increased. Given the short-term outlook, the shares look fully valued on a multiple of 17 times with forecast profits at £11m for the year.

Virgin denies links with French retailer

By Alice Rawsthorn in Paris and Peggy Hollinger in London

VIRGIN RETAIL, the music, video and computer game stores chain founded by Mr Richard Branson, has had discussions with FNAC, a leading French leisure retailer. But it refused to comment on reports of the sale of a minority stake in its European operations to the French retailer.

Mr Michael Berrisford, finance director of Virgin Retail Europe, said that the two companies had had contacts, but added that "nothing is imminent on any front". Virgin Retail was seeking a minority partner to help fund expansion in France, he added.

He stressed that, at the moment, there were no discussions with FNAC on either a joint venture or a minority stake. Questioned on whether the two companies might find common ground in the future, he replied: "Maybe, why not, who knows?"

Mr Jean-Louis Pétriat, president of FNAC, was quoted in the French press yesterday as saying his company had been in contact with Virgin. For its part, Virgin France issued a statement deploring the "noise" surrounding its relationship with FNAC.

FNAC, which owns a chain of 40 record and book stores throughout France and commands 25 per cent of the French record and tape market, is today opening its biggest store to date in the Ternes area of Paris.

FNAC recently reported an increase in net income from Ffr97m to Ffr120m on sales of Ffr7.4bn for the year to August 31.

To date Virgin, which has ambitious plans to expand its megastores in France, is the only serious competitor to FNAC in the French record and tapes market. Virgin has three French stores and plans to open another five by the end of next year.

Mr Berrisford said Virgin was seeking a partner to take a 25 to 30 per cent stake in its French retail business. "We wish to expand in France ... [but] we do not want to put all our money in France."

Building recession behind 36% fall to £16.5m at Meyer

By Jane Fuller

MEYER International, the building products group, suffered a further 36 per cent fall in pre-tax profit to £16.5m in the six months to September 30.

The decline from £25.8m followed a 5 per cent reduction in turnover to £566.7m (£593.5m). Operating profit fell to £18.5m (£31.6m). A doubling of property profit to £5m and a £1.3m cut in interest costs to £7m limited some of the damage at the pre-tax level.

Mr Richard Jewson, who recently took over as chairman from Sir Oscar DeVille, said the results represented an improvement on the second half of last year. "We have been coming through the worst building recession since the war and we now think the worst is behind us" – not that this amounted to anything as positive as signs of recovery.

He said the group, which claims to be the UK's leading distributor of building materials and timber with 14 per cent of the market, had cut costs early. "We are now bacon-slicing rather than taking an axe to it."

The Jewson subsidiary, which has more than 200 branches, held its decline in sales to 6 per cent, half the sector average, to give a total of £211.6m. Operating profit fell 34 per cent to £11.4m.

Forest Products suffered a decline in volume and prices in softwood, while panel products proved more resilient. Operating profit slipped to £4.2m (£7.8m) on sales of £109.7m (£124.6m). The new laminates division saw a steeper decline to £700,000 (£2.1m) profit.

Cadel, a heating and plumbing business acquired from Norcros with the UBM stores in late 1988, made further losses of £2.9m (£2.1m), in spite of a 60 per cent sales increase to £42.3m.

The most resilient part of the business was PontMeyer, in the Netherlands, which nearly matched the previous interim profit figure with £5.5m. Germany was flat at £500,000 and the US slipped to a £300,000 loss after "the Florida housing market hit a brick wall."

Earnings per share fell 31 per cent to 12.9p (18.5p). The interim dividend was maintained at 4.2p.

● COMMENT

Meyer's pre-tax profit peaked in 1988-89 at £57.2m and this is set to be the third year of decline, with the total forecast to slip to mid-80s levels. While the Jewson stores did not fall as steeply as the Harcros chain of Harrisons & Crosfield and maintained operating margins ahead of, say, Travis Perkins, some other parts of the business looked considerably weaker: Cadel, for instance. And that constituent invites unfavourable comparisons with Wolseley, which one analyst described as "the Marks and Spencer of the sector". Another quibble is the property element of profits. This year property could account for between 20 and 25 per cent of pre-tax profit and a higher proportion of earnings per share. A full-year forecast of £31m, including £7m of property gains, gives a prospective p/e of just over 18 on yesterday's close of 441p. Although Meyer remains a classic recovery stock, it is not surprising that the price has come down from 494p earlier this year. The present level looks more reasonable but is still far from cheap.

0.63% acceptances for Ultramar bid

At its first closing date yesterday Lasmo's offer for Ultramar had been accepted by holders of 2.33m shares representing 0.63 per cent. Taking into account Lasmo's existing holding it now speaks for 0.81 per cent of Ultramar.

The £1.15bn offer has been extended and will remain open until 3pm on November 25. Th Ultramar board repeated it advice to reject the bid.

Mr Jean Gaulin, Ultramar' chief executive officer saic "The lamentable level of accej tances shows that our shar holders recognise the value (Ultramar and do not want La .mo's dubious paper."

COMPANY NOTICE

Continental (Bermuda) Limited
US$ 250,000,000
Floating Rate Notes due 2006
Guaranteed by Hungarian Foreign Trade Bank Ltd

Notice is hereby given that as at the valuation date 13th November, 1991, the value of the zero-coupon obligations (or certificates representing interests in obligations) of the United States of America was US$80,927,800.00 and the value of the company's reserve fund was US$56,888,496.02. The aggregate value of the Noteholders security was thus 55.13 per cent of the principal amount of the Notes outstanding at the valuation date.

The determination and publication of these figures is solely for the convenience and information of the *Noteholders and shall not be binding for* any purpose on the Trustee or the Reserve Fund Manager or the Reserve Fund Reporting Agent nor shall it be taken as recommendation on the part of the Company, the Valuation Agent, the Guarantor, the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell or hold investments similar to the zero-coupon obligations of the United States of America or the Reserve Fund Investments.

Valuation Agent
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft

LEGAL NOTICES

MEETING OF CREDITORS
Pursuant to Sections 98, 99, 100 and 101 The Insolvency Act 1986
ABUTT STATIONERY & PRINT SERVICES
NOTICE IS HEREBY GIVEN pursuant to [illegible] 98 of The Insolvency Act 1986, that a meeting of creditors of the above-named Company will [illegible] at The Palace Hotel, 31 Great Cumberland [illegible] Marble Arch, London W1, on 21st November [illegible] 12 noon for the purposes provided for in Sections [illegible] et seq.

A list of names and addresses of the Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 45 Cardiff [illegible] London W1R 9FB, between the hours of 10 [illegible] and 4.00 pm on the two business days preceding the Meeting of Creditors.

Dated this 7th November 1991
W Brianmell, Director

SOLAR WINGS LIMITED
Company No: 1454482
PEGASUS TRANSPORT SYSTEMS LIMITED
Company No: 1853881
PEAGUS FLIGHT TRAINING LIMITED
Company No: 1879100

We, J M Iredale and R W Birchall of [illegible] Gully, 9 Greyfriars Road, Reading, Berks RG1 1JG hereby give notice that on [illegible] day of November 1991 we were appointed Joint Administrative Receivers of the [illegible] named Companies by Midland Bank under the terms of debentures dated [illegible] August 1985, 26th February 1988 and [illegible] February 1989 respectively giving [illegible] fixed and floating charges over assets of the Companies.

J M Iredale
Joint Administrative Receiver

CLUBS

EVE has outlived others due to policy of fair play and value for money. Supper 10-3.30 am. Glamorous hostesses, [illegible] cabaret. 189 Regent St. W1 071-734 [illegible]

PERSONAL

PUBLIC SPEAKING Training and speech writing by award winning speaker. First [illegible] free Tel. (0727) 821399

UK COMPANY NEWS

Superstores fashion furniture's future

Michiyo Nakamoto looks at the home furnishing industry's response to the recession

IF GREATER attention to customer satisfaction can be counted among the more positive legacies of the recession, people shopping at Britain's furniture stores are likely to be major beneficiaries of the current downturn.

The sluggish trading environment for furniture stores has drawn a distinct line between the winners and losers in the industry and sparked moves among the latter to emulate their more successful competitors.

In a recession that has dealt a particularly harsh blow to home owners, the problems of furniture retailers have, not surprisingly, been among the most severe in the consumer industry.

Last year, the value of furniture sales by retail selling price was down by about 10 per cent to £4.16bn compared with £4.59bn in the previous year, according to a study by Market Assessment, the market research company.

The recent troubles of retailers have been compounded by serious financial difficulties faced by some of the larger members of the industry.

Since Lowndes Queensway, the second largest retailer, was brought to its knees in the summer of 1990 under a heavy debt burden, the title of market leader has gone to MFI, another heavily indebted group.

According to data supplied by NOP to Market Assessment, MFI – which has 10 per cent of the furniture distribution market – still has £475m of borrowings to service from its £718m leveraged buy-out four years ago.

The well-publicised disaster of the £629m management buy-out at Magnet, the kitchen retailer, and the fall from favour of Habitat, the loss-making home furnishing subsidiary of Storehouse, have tended to portray furniture retailers as an over-ambitious lot that have seen their expansion plans come unstuck in the spending downturn.

Habitat, which grew rapidly in the eighties, was forced to close 12 stores last year. Allied Maples, the furniture division of Asda, has also had to shed staff this year, although it has made a trading profit.

Yet the problems of furniture retailers are by no means entirely due to the downturn in consumer spending or an over-optimistic outlook on the sector's growth prospects.

To many consumers the recession has merely highlighted a long overdue need for British furniture retailers to adapt their business to changing market trends.

"The history of furniture retailing in the UK has always been hamstrung by problems with suppliers and inability to deliver products properly," says Mr John Richards of County NatWest, the securities company. "Their tendency has been to reduce prices to make up for this."

Increasingly, the gap in the sector created by the failure of many traditional furniture retailers to keep up with market demands, has been filled by specialist superstores.

Retailers such as Ikea, the Swedish furniture group which has successfully introduced new concepts to the UK market, and Courts, which was one of the first to develop superstores in the UK, have enjoyed buoyant trade even during the recession. Courts increased its pre-tax profit from £7.97m to £9.05m and expects to see two thirds of its UK turnover at its superstores this year.

Their success has been founded on their early realisation that consumers wanted convenient shopping facilities with a wide variety of good value products on offer under one roof.

"In the past shopping for furniture, particularly in Britain, has not been very pleasant. We wanted to make it enjoyable," says Mr Bruce Cohen, managing director of Courts.

Both Ikea and Courts offer amenities at their superstores such as ample parking space, play areas for the children and coffee shops and restaurants.

Although the ability to offer a wide range of products at low prices has been a distinct advantage of the superstores, they have also succeeded where more traditional retailers often have not, in stimulating consumer interest.

Ikea and other superstores say they have been able to do this with co-ordinated room sets that have played a big role in encouraging customers to make a purchase.

"We try to give people as many ideas as possible which gives them the confidence to give an idea a try," says Ikea. "It takes the hassle out of shopping and people always end up buying loads of knick-knacks."

The strategy of the total co-ordinated look has been exploited by fashion retailers such as Benetton, but until recently has not been offered on any large scale for those looking to furnish their homes.

The more traditional retailers are also picking up the trend, and new "concept stores" have been embraced by MFI and Allied Maples, the home furnishings subsidiary of Asda, the supermarket chain.

Careful stock management and efficient delivery are other areas where superstores have had an edge over traditional retailers.

By selling its furniture ex-stock and asking customers to assemble the products themselves Ikea has reduced costs and avoided the problem of long customer waits.

Allied Maples has spent about £5m in the past few years on its distribution system, including a training programme for delivery staff.

Mr John O'Connell, managing director of MFI, says that the recession triggered a review of the group's management of stocks, cash flow and its store expansion plans.

As a result a new computer system has been installed to hold stock information at each store rather than at central office as previously done, and stock orders from branches are taken daily rather than weekly.

All this effort may not be enough to stimulate consumer spending in the near term. Nevertheless, the superstores at least seem to be looking for a recovery soon.

Ikea is opening two more superstores next year and Argos, the catalogue showroom retailer, is opening four pilot stores of its Chesterman Home Furnishers subsidiary next year, each with 30,000 to 40,000 square feet of store space.

FT LAW REPORTS

German agent can be sued in UK

MERCURY PUBLICITY LTD v WOLFGANG LOERKE GMBH
Court of Appeal
(Lord Justice Purchas, Lord Justice Stocker and Lord Justice Russell):
October 16 1991

AN AGENCY contract between two corporations which are subject to the 1968 Jurisdiction and Judgments Convention, may be sued upon in the place of performance of the disputed obligation, and in view of the parties' equal bargaining power, the case does not come within the *Ivenel* exception to the Convention by which employers must sue an employee where he resides or substantially discharges his contractual duties.

The Court of Appeal so held when allowing an appeal by the plaintiff, Mercury Publicity Ltd, from Mr Justice Hidden's decision to strike out Mercury's claim against Wolfgang Loerke GmbH for lack of jurisdiction.

Article 5 of the Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters, Brussels 1968, provides: "A person domiciled in a contracting state may, in another contracting state, be sued: (1) in matters relating to contract, in the courts for the place of the obligation in question."

LORD JUSTICE PURCHAS said that Mercury, an English company, claimed monies due under a contract between it and Loerke, a German company. Loerke asserted that it had a claim against Mercury and had, since issue of the writ in England, initiated proceedings in Dusseldorf.

Mercury was sole exclusive worldwide authorised representative of the proprietor of the French newspaper, Le Figaro and of Figaro Magazines, for the sale of commercial and financial advertising space.

Armed with its exclusive agency agreement, Mercury entered into sub-agreements with agents who had exclusive agencies in their own particular territories. By June 1984 there appeared to have been some 15 agents, one of whom was Loerke.

Under the contract Loerke was granted sole agency for the canvassing of space in Germany.

The contract was for one year, tacitly renewable, and provided for 25 per cent commission on commercial and financial advertising, and 27 per cent on small advertisements. They were to be invoiced by Mercury to the order of Loerke.

A restraint of trade clause provided that in the absence of Mercury's prior approval Loerke was not authorised to represent any French media in direct competition with Le Figaro or its magazines.

The contract was made in London on June 20 1984.

The evidence established that

- (1) Loerke was free to use its own initiative in canvassing for customers;
- (2) when an order for space was obtained by Loerke, if it was an art advertisement (ie not "announcement"), the order was in most cases designed and approved by the customer in Germany and sent from Loerke in Dusseldorf to Figaro in Paris; Figaro's charges were invoiced to Mercury in London and Mercury invoiced Loerke in Dusseldorf;
- (3) small advertisements which did not involve art work were obtained in Dusseldorf by Loerke and forwarded to London for approval by Mercury and onward transmission to Figaro in Paris;
- (4) on acceptance of advertising matter by Figaro, Figaro invoiced Mercury in London and Mercury in turn invoiced Loerke in Dusseldorf making provision for commission;
- (5) payment was by direct transfer from Loerke's bank in Dusseldorf to Mercury's bank in London.

On the application of Loerke Mr Justice Hidden dismissed the action. He decided that the court did not have jurisdiction under the Civil Jurisdiction and Judgments Act 1982, which imported the 1968 Brussels Convention into UK law.

He was of the view that the contract was one to which the exceptional rule in *Ivenel v Helmut Schwab [1981] ECR 1891* applied.

The special rule or exception in *Ivenel* was that in contracts of "employment" the rule in article 5(1) of the Convention, that a plaintiff had the option of suing in the courts of the place of performance of the obligation (eg payment) did not apply, but that in such cases the place where the defendant must be sued was where the party was to perform "the characteristic obligation of the contract or where he has his habitual residence".

The central issue on the appeal was whether the place of performance within the meaning of article 5(1) was in London, since under English law payment was to be made in London, or whether place of performance was Germany.

In order to establish jurisdiction all Mercury had to do was to show it had a good arguable case that the English courts had jurisdiction.

Mercury had exercised its option to found jurisdiction on article 5(1).

To do that it did not have to establish finally or absolutely that place of performance of the obligation in question, namely payment to Mercury for advertising placed by Loerke, was in London.

It only had to show that there was a good arguable case that that was so (see *Tesam Distribution v Schu Mode Team, FT October 27 1989*).

There was a good arguable case or a serious question to be tried as to whether the proper law of the contract was English law, bearing in mind all the circumstances in which the contract was made and the manner in which it was to be performed.

The question was whether the relationship between Mercury and Loerke fell within the *Ivenel* exception.

The burden of the *Ivenel* principle was that where there was a contract of employment in which one contracting party might be at a disadvantage to the other, ie in an employer/employee relationship, the court would not look at individual obligations for the purpose of deciding jurisdiction under article 5(1), but would look at the whole contract and the place where it was substantially to be performed, so as to ensure that the employee's position was properly protected.

Mr Green for Loerke submitted that the *Ivenel* rule was applicable in a wider sense than the master/servant relationship.

He contended that the principle should be extended to a "trade representative" who had to some extent been brought within the organisational framework of the employer.

He said by analogy, that Mercury and Loerke had a commercial agency relationship which escaped the competition rules in article 85 of the EEC Treaty (see Commission Notice, December 24 1962).

Article 85 of the Treaty and article 5(1) of the Convention involved quite different concepts, and were not analagous for the purpose of considering the *Ivenel* exception to article 5(1).

The rationale behind *Ivenel* was the protection of the position of the weaker of two contracting parties. The protection under article 85 was against concerted action.

The contractual arrangement between Mercury and Loerke, two limited liability corporations, could not be brought within the special concepts underlying the *Ivenel* principle.

There was nothing in the evidence to strike at the concept for which Mr Burton contended, namely that this was a purely commercial contract between two commercial entities for the exclusive rights to canvass for advertising custom in Germany.

There was no element of inequality of bargaining power or absorption into the organisational framework of Mercury, so as to affect Loerke's operation of the contract.

There was no justification for saying that community law would extend the principle in *Ivenel* beyond the special characteristics out of which it arose.

Mr Burton had established that at the least he had a good arguable case on which to base the following propositions:

- that the contract between Mercury and Loerke established an independent relationship wholly different from that of employer/employee;
- that the *Ivenel* principle in community law should be restricted to and was restricted to cases of a personal nature in the master/servant relationship where inequality of bargaining power might be critical;
- that taking the context and purpose of the contract and its execution into account, the law most closely connected with the performance of the contract was English law.

The appeal was allowed.

Their Lordships agreed.

For Mercury: Michael Burton QC and Raymond Cox (Osborne Clarke, Bristol).

For Loerke: Nicholas Green (Eking Manning, Nottingham).

Rachel Davies
Barrister

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 13.11.91: Pool purchase price £/MWh	Final Prices for Trading on 16.10.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.49	15.86	15.86
0100	19.04	15.86	15.86
0130	25.17	15.90	15.90
0200	25.17	15.90	15.90
0230	16.70	15.95	15.96
0300	16.48	15.95	15.95
0330	16.45	15.86	15.88
0400	16.34	15.86	15.86
0430	16.26	15.87	15.87
0500	16.26	15.86	15.86
0530	16.29	15.82	15.82
0600	16.29	15.83	15.83
0630	16.34	15.86	15.86
0700	16.48	18.21	18.21
0730	19.31	18.16	21.93
0800	19.37	26.82	30.44
0830	19.88	29.47	33.61
0900	20.61	30.91	35.37
0930	21.52	28.86	32.94
1000	22.20	27.79	31.83
1030	22.22	26.75	30.34
1100	22.23	26.46	29.97
1130	31.38	27.14	30.82
1200	31.50	27.30	31.01
1230	31.49	26.26	29.73
1300	31.40	24.44	27.47
1330	22.18	20.17	22.72
1400	22.16	19.82	22.27
1430	21.86	19.08	21.45
1500	21.86	19.08	21.44
1530	21.01	19.14	21.55
1600	23.70	21.65	24.31
1630	57.80	23.58	26.75
1700	105.64	28.70	32.54
1730	114.05	30.33	34.47
1800	88.39	31.96	36.53
1830	43.81	33.38	38.24
1900	32.20	32.77	37.33
1930	26.22	29.22	33.05
2000	21.93	22.28	25.13
2030	20.67	18.78	21.09
2100	20.28	18.57	20.86
2130	18.37	18.18	20.44
2200	19.38	18.18	20.43
2230	19.38	17.58	19.80
2300	16.58	17.28	19.51
2330	18.34	16.00	16.00
2400	18.29	15.83	15.83

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

COMMODITIES AND AGRICULTURE

Union opposition threatens Australian nickel expansion

By Kevin Brown in Sydney

WESTERN MINING Corporation, the Australian resources group, said yesterday it would abandon plans for a A$105m expansion of nickel production at Kambalda, Western Australia, because of trade union opposition.

The group said the Australian Workers Union had "reneged" on a deal reached earlier this week in negotiations chaired by Mr Ian Taylor, the deputy premier of Western Australia. The decision means WMC's Kambalda operations will be scaled down, leading to about 150 redundancies, unless a last-minute compromise is reached. The union said it had asked for an urgent hearing before the Industrial Relations Commission, the state labour tribunal.

The proposed expansion would have increased deep mining at several mines in the *Kambalda area, where WMC* produces about 35,000 tonnes of nickel a year. The project was part of a A$400m spending programme intended to increase the group's total nickel output to 65,000 tonnes a year from 53,000.

WMC has been trying for more than a year to introduce 7-day continuous working at Kambalda, which it says is essential if expanded deep mining is to be competitive. Mr Phil Lockyer, WMC's Western Australia general manager, said the union accepted proposals put forward at a meeting chaired by Mr Taylor but later rejected the agreement less than an hour before it was to be put to a mass meeting of Kambalda workers.

Mr Lockyer said WMC had devoted "considerable time and effort" to the negotiations, in spite of "months of obstruction, strikes and divisive behaviour" on the part of the union. "Without a full commitment to work practice reform. . . we were simply unable to justify the capital expenditure necessary to economically mine deeper ore at *some mines. Therefore, we had* no alternative but to downsize our Kambalda operations."

WMC released a statement signed by Mr Taylor which appeared to confirm the group's claim that the AWU had earlier agreed to 7-day working on the basis of 8-hour shifts. The statement shows the two sides agreed on all outstanding issues except payment scales for Sunday working, which was to be resolved by the Western Australia Industrial Relations Commission next week. However, Mr Taylor said in a separate statement that he was "astonished" by the company's announcement. "There is no logic to its intransigent attitude, which lacks common sense when agreement is so near," he said.

The project appeared to be progressing well earlier this year when WMC was given approval by the IRC to move from 5-day to 7-day working. However, the project was postponed last month after the state government delayed the implementation of changes to the Mines Regulation Act needed to allow continuous working.

WMC said it hoped the government would go ahead with promised changes to the Act, which makes Western Australia the only Australian state where continuous 7-day working is forbidden by law.

Kuwait sets fresh oil production target

By a special correspondent

KUWAIT HAS announced a new oil production target of at least 1.5m barrels a day by the end of 1992. Oil Minister Homoud Abdullah al-Rqobah told the International Herald Tribune/Oil Daily Oil and Money Conference in London yesterday that production capacity would total between 1.5m and 1.7m b/d by the end of next year, based mainly on production from the Magwa and Ahmadi fields, but with some production as well from the giant but damaged Burgan field.

Mr al-Rqobah estimated the cost of restoring Kuwait's oil and refining capacity to pre-Gulf War levels at $10bn to $15bn. "This does not include clean-up, burning, or gushes, or damage to reservoirs," he said.

Kuwait was actively considering the award of a contract to manage its reservoirs, the minister said. He did not dispute that Chevron and BP were in contention to secure the contract, and that both might receive awards, though he declined to mention them by name. "We need the help of other companies," he declared.

The minister said Kuwait would have 16 oil-gathering centres in operation by July, 1992, when production should total 950,000 b/d (including 140,000 b/d from the former neutral zone). By then it would also have drilled 100 new wells. He was emphatic that there *would be no equity stakes for* foreign oil companies.

In the next ten to 14 days, he said, the government would announce the award of a contract for cleaning up the massive oil lakes across the country. A list of 18 companies had been whittled down to four, and he indicated that the work would be shared by those four companies, though he declined to name them. He said they would have to mobilise within six weeks and that the work would have to be completed by the end of March, 1992.

● Global demand for oil would reach 55m barrels a day in 1995, rising to 58m barrels a day in the year 2000, Dr Subroto, secretary general of the Organisation of the Petroleum Exporting Countries, said in Oslo yesterday, writes Karen Fossli. But declining production in the next decade among the majority of non-Opec producers meant that in less than 10 years Opec could be supplying more than half the world's oil needs, he added.

He estimated that Opec members would have to invest $120bn to expand capacity by the 10m barrels a day that he thought would be required by the year 2,000.

Demand surge cheers woolgrowers

Australian prices are edging higher at last, writes Kevin Brown

EIGHT MONTHS after the Australian government ended nearly two decades of price fixing in the wool industry, the free market is slowly edging towards a price at which hard-pressed farmers can survive.

The Wool Corporation's market indicator, a weighted average of auction prices for 15 categories of wool, rose 43 Australian cents to A$5.36 (£2.40) a kilogram last week, reflecting a surge in demand from Japanese and European buyers.

The improvement will put new heart into growers who less than two months ago were forced to watch helplessly as their wool was disposed of for less than A$4.50 – a price at which most were making a loss.

Nevertheless, the price remains A$1.64 below the former floor of A$7 a kilogram, and not even the most optimistic market observers expect the surge of the last few weeks to continue unabated.

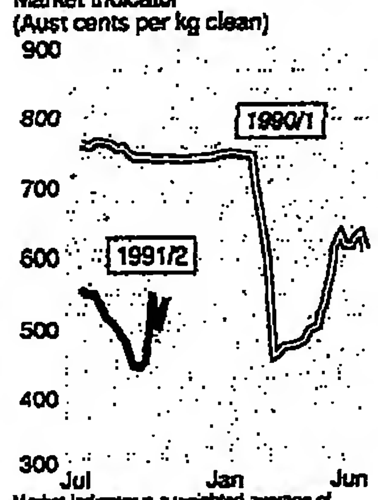
The wool industry's problems stem from over-production following a boom in 1987-88, when the market indicator (then calculated on a slightly different basis) rose from A$7.81 a kilogram to a peak of A$12.69.

The Wool Corporation, the industry's marketing body, responded by raising its floor price to A$8.70, later lowered on government orders to A$7. But as wool production rose, the three biggest international purchasers – China, Japan and the Soviet Union – started buying less.

The crash came last year, when the market indicator fell *to A$7.29 and more than half* the wool offered at some auctions went unsold. At its peak, the wool stockpile stood at 4.8m bales, financed by government-guaranteed debt of A$2.8bn and a 25 per cent levy on growers' declining incomes.

Australian Wool Corp

Market indicator
(Aust cents per kg clean)



Market indicator is a weighted average of 15 categories of wool
Source: AWC

The abolition of the floor price was forced through by Mr John Kerin, then agriculture minister, in an attempt to stop over-production by allowing the market to set prices.

The move was deeply unpopular with growers, for whom the system had provided 17 years of guaranteed prices. However, gloomy forecasts that prices would fall by half or more have not been realised.

After an initial fall from just over A$7 to about A$4.50 the indicator climbed above A$6 in June before dropping steadily to a low of A$4.38 after the start of the new season in July.

At those prices, the outlook for many growers was bleak. Mr Alan Bowman, chairman of the Wool Council, the growers' organisation, says some farmers have been forced off the land, while many others will carry an increased debt burden.

Mr Bowman says growers' will make an average of A$300 this year if the market indicator averages A$4.75, as the Wool Council is forecasting. Most will make a loss after tax and depreciation.

There is no doubt that the free market is helping to reposition the industry by cutting production, which the Wool Council estimates will fall from about 980m kg last year to 750m kg in 1992-93.

Mr Bowman says farmers have slaughtered nearly 30m sheep over the past year, and forecasts that the national flock could fall to 130m by 1994, compared with a peak of more than 170m last year.

The recent resurgence in demand should also be assisted by forecasts of falling production in South Africa and Argentina and stable production in New Zealand and Uruguay.

However, the biggest influence on future prices is likely to be uncertainty about the treatment of the stockpile, which now stands at 4.46m bales.

The stockpile has been placed under the control of an independent Wool Realisation Commission, headed by Dr David Clarke, chairman of Macquarie Bank, who has been given until 1998 to dispose of the wool and clear the associated debt of A$2.5bn.

As an interim measure, the commission is restricting sales of stockpiled wool to buyers willing to pay well above market prices – mostly traders or manufacturers seeking to fill an urgent order. About 150,000 bales have been sold in this way, raising more than A$80m towards repaying the commission's A$2.5bn debt.

But the market wants to know how the bulk of the stockpile will be sold, and at what price. The commission *says it is in no hurry to make a* decision, not least because the unexpectedly high level of sales at premium prices has provided more than enough cash to finance the A$20m repayment to which it is committed this year.

The recent surge in demand, prompted by a fall in stocks in Europe and Japan, has also eased the pressure on the commission to announce its policy. As a result, the decision will probably not be announced *until the end of the year, after* the bulk of sales of fine wools *for the 1991-92 season.*

However, the commission is well aware that the prospects for a sustained recovery in wool prices could be damaged if it gets the disposal policy wrong. Releasing too much wool too quickly could depress prices by worsening the existing excess of supply, but releasing too little could have the same effect by prolonging the period during which the stockpile will overhang the market.

"Nobody is going to buy wool today if they think it is going to be cheaper tomorrow," says Mr Graeme Dodds, managing director of Kreglinger Australia, which buys wool at auction for sale to overseas customers.

One suggestion is that the commission should look seriously at a number of offers from entrepreneurial buyers to purchase large parts of the stockpile on credit terms.

Such a sale would remove all or part of the stockpile from the market, but could rebound on growers by dampening demand for freshly grown wool. The commission is also determined to sell only for cash or on secure financial terms, which none of the potential buyers have been able to provide.

The only certainty is that the stockpile cannot be disposed of without further pain *for growers. "Our job is to get* rid of the stockpile as quickly as we can, consistent with not being too disruptive. That is a real tightrope to walk, but whatever we do is going to be disruptive to some extent," says Mr Clarke.

Minor metals prices

Prices supplied by Metal Bulletin (previous week's quoted in brackets).

ANTIMONY: *European free* market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,680 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.90-2.40 (1.80-2.40).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 24.00-26.00 (20.00-23.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 85-105 (80-105).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.15-2.20 (*2.18-2.24*).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 59-67 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.30-2.45 (same).

URANIUM: Nuexco exchange /value, $ per lb, U_3O_8, 7.25 (same).

Copper industry to set up statistics body

By Kenneth Gooding, Mining Correspondent

COPPER PRODUCING and importing countries are to set up an organisation that will aim to improve the availability *of statistics and information* about the industry and should consequently influence producers'investment plans and other activities.

The US is the driving force behind the proposed new International Copper Study Group, which is likely to be formed in January.

The study group will be barred by its statutes from any form of intervention in the market and will not be able to trade.

It has the formal support so far of countries accounting for more than 37 per cent of world trade in copper. But Britain, Ireland and Denmark say they will not join.

Japan's laws do not permit it to join but, if the study group's proposed *legal status* is slightly altered, the country, which is the world's biggest copper importer and accounts for more than 12.5 per cent of world copper trade, could become a member.

Mr Phillip Crowson, chief economic adviser to the RTZ Corporation, the world's biggest mining company, which accounts for about 7 per cent of world copper output, said this week that there was room for improvement in the way copper statistics were reported, particularly as some governments were cutting budgets and the resources allocated to their collection.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+1,800	to 804,925
Copper	−1,150	to 292,050
Lead	+100	to 115,075
Nickel	+174	to 8,550
Zinc	−225	to 150,525
Tin	−5	to 12,930

However, it was open to question whether a new study group would improve the statistical information and there was a danger that the present statistical work would be discontinued – "that would be harmful", he said.

Reuter reports that the countries which have already said they will join the group include Chile, the world's biggest producer, and the US, the *second-largest, as well as* Finland, Greece, China, Poland, Norway, Peru, Portugal, Belgium, Luxembourg, Spain and the Netherlands. Germany has indicated it will join.

Meetings have been arranged for January 23 and 24 next year when the countries will make a formal decision to set up the study group. The early aim is to have countries representing 60 per cent of world trade in copper represented in the new organisation.

Aid sought for Soviet pork deals

By Nancy Dunne in Washington

US PORK producers are asking the US Agriculture Department to provide subsidies and credit guarantees for a 30,000-tonne sale of pork to the Soviet Union.

The National Pork Producers Council said that Prodintorg, the official Soviet buying agency, has formally requested 30,000 tonnes of US pork as part of its agricultural credit package. The order equals nearly one third of the total volume of US pork exports in 1990.

President Bush has still not announced his policy on the issue of food aid to the former Soviet Union. There is speculation, however, that he will announce a package of $1bn in new credit guarantees and several million dollars in humanitarian aid when he addresses a convention of the Future Farmers of America on Wednesday in Kansas City.

To make the sale, the pork producers would first have to get approval for subsidies under the Export Enhancement Program. There has been pressure from both congress and meat producers to extend the programme to include more value-added products.

The sale is of particular importance to the pork industry, which has never been awarded subsidies under the Export Enhancement Program and this year is facing a slaughtering rate 8 per cent ahead of last year's and record numbers of live hogs.

Mr Alan Tank, a spokesman for the industry, said subsidies would signal a long term intent of not conceding the Soviet protein market to the EC.

Thus far, about 97 per cent of all US credit guarantees used for the *Soviets* has been for bulk commodities or livestock feed, according to the Council.

Mr Edward Madigan, the US Agriculture Secretary, has said that the main elements of the package have been agreed, but a few details remain to be sorted out. One could be the requirement by law that creditworthiness be a factor taken into consideration before agriculture loan guarantees are extended.

Vietnamese coal exports forecast at 1.2m tonnes

VIETNAM'S COAL exports are expected to rise to 1.2m tonnes this year from 783,000 tonnes a year ago out of a projected 1991 production of 4m tonnes, according to government newspapers, reports Reuter from Hanoi.

They said Vietnam exported nearly 1m tonnes of coal in the first 10 months of 1991.

Vietnamese coal is traditionally exported to Japan, South Korea and Western Europe. It has recently found new markets in Malaysia, the Philippines, Thailand and Taiwan.

Vietnam's coal exports had increased by 40 to 50 per cent a year since 1987, when they slumped to a low of 230,000 tonnes, the newspapers said.

WORLD COMMODITIES PRICES

MARKET REPORT

Nickel closed near 20-month lows on the LME yesterday. Dealers *said the bearish* sentiment was underlined by news LME stocks rose 174 tonnes, which offset Western Mining's decision to curb production. However, after the market closed news emerged that Soviet nickel producer Norilsk plans to cut output by 10 per cent. Analysts said support, including Chinese buying is likely around $7,300 a tonne for three-month metal although charts indicate falls to between $7,200 to $7,250 a tonne. LME aluminium stocks rose by only 1,800 tonnes, mainly because of the continued low level of arrivals in Rotterdam. Nevertheless three-month aluminium was testing support at $1,160 a tonne after hedge *selling and liquidation in a thin* market. Traders said the rate of increase for aluminium stocks could rise again once declaration of metal stored in the open is accepted by the LME on November 21. Copper prices were steady, with three-month metal holding above the important $2,300-a-tonne level. Comex copper prices were higher at midday. One New York analyst said the bears were toning down their aggressiveness in view of the weekend fire which effectively shut a 125,000-tonne Cyprus Miami Mining smelter in Arizona.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		**+ or -**
Dubai	$18.40-8.45	-.275
Brent Blend (dated)	$21.10-1.20	-0.30
Brent Blend (Dec)	$21.20-1.25	-0.30
W.T.I. (1 pm est)	$22.35-2.40z	-0.30
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$237-239	-3
Gas Oil	$212-213	-4
Heavy Fuel Oil	$88-90	
Naphtha	$223-226	-1
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$355.205	-0.05
Silver (per troy oz)♣	403.5c	+1.0
Platinum (per troy oz)	$362.0	-2.25
Palladium (per troy oz)	$88.00	+0.5
Copper (US Producer)	109.21	-1.47
Lead (US Producer)	37.0	-0.83
Tin (Kuala Lumpur market)	14.80r	-0.02
Tin (New York)	255.5	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	103.18p	+0.36*
Sheep (dead weight)†	141.71p	+16.0*
Pigs (live weight)†	77.39p	+2.72*
London daily sugar (raw)	$221.5x	
London daily sugar (white)	$282.0x	+0.5
Tate and Lyle export price	£232.5	-1.0
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£141.25	
Wheat (US Dark Northern)	£101	
Rubber (Dec)♥	51.75p	-0.25
Rubber (Jan)♥	51.75p	-0.25
Rubber (KL RSS No 1 Dec)	225.0m	-0.5
Coconut oil (Philippines)§	$615y	-10
Palm Oil (Malaysian)§	$367.5u	-5
Copra (Philippines)§	$395z	-5
Soyabeans (US)	£147	-1
Cotton "A" index	63.35c	-0.60
Wooltops (64s Super)	398p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan t-Sep/Dec u-Jan/Mar x-Nov/Dec y-Dec/Jan z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)
Raw	**Close**	**Previous**	**High/Low**
Dec	194.00	193.00	194.00 194.00
Mar	187.80	189.00	189.00 187.00
May	188.80	189.60	189.40 187.80
Aug	193.00	193.00	193.00 193.00
White	**Close**	**Previous**	**High/Low**
Dec	280.2	282.2	283.5 281.7
Mar	276.2	278.2	280.0 276.2
May	275.7	277.2	279.0 276.4
Aug	278.6	280.2	281.0 278.5
Oct	253.8	255.7	258.5 254.5
Mar	252.3	254.7	255.4 255.0

Turnover: Raw 254 (222) lots of 50 tonnes. White 2186 (953)
Paris- White (FFr per tonne): Dec 1585.90, Mar 1587.44

CRUDE OIL – IPE			$/barrel
	Close	Previous	High/Low
Dec	21.27	21.48	21.68 21.21
Jan	21.12	21.30	21.40 21.02
Feb	20.87	21.05	21.15 20.80
Mar	20.57	20.68	20.77 20.57
Apr	20.35	20.50	20.55 20.30
May	20.10	20.32	20.10
IPE Index	21.58	21.94	

Turnover 33182 (32873)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Nov	214.75	214.75	215.00 208.50
Dec	211.25	215.75	215.75 210.00
Jan	211.00	214.25	214.25 209.50
Feb	203.50	206.00	206.00 202.50
Mar	196.00	196.25	196.50 196.00
Apr	189.00	190.75	190.00 189.00
May	182.75	184.00	183.00 182.75
Jun	177.50	180.50	179.00 177.50
Jul	178.50		179.00

Turnover 27396 (19219) lots of 100 tonnes

JUTE
C and F Dundee: BTC US$400, BWC US$420; BTD US$365, BWD US$385. C and F Antwerp: BTC US$380, BWC US$375, BTD US$355, BWD US$350.

COTTON
Liverpool-Spot and shipment sales for the week ending 8 November amounted to 489 tonnes against 408 tonnes in the previous week. Sales mainly occurred in American and Russian qualities

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Dec	735	732	737 733
Mar	774	772	778 770
May	798	794	803 795
Jul	822	820	826 821
Sep	844	841	848 839
Dec	872	867	872 871
Mar	897	891	898

Turnover: 2828 (5448) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov.8 934.37 (937.80) 10 day average for Nov.12 941.81 (941.84)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Nov	556	556	558 553
Jan	573	574	577 567
Mar	555	558	558 551

Turnover:836 (3589) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov.11: Comp. daily 63.72 (63.71) 15 day average 63.41 (63.47)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	130.8	131.8	131.0 130.4

Turnover 82 (99) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Feb	128.70		128.70
Apr	128.50	130.00	129.00 128.50
Jun	123.00		123.00

Turnover 190 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Dec	1640	1640	1640 1630
Jan	1655	1664	1660 1645
Apr	1669	1672	1665 1640
Jul	1445		1450
BFI	1639	1641	

Turnover 304 (210)

GRAINS – London FOX			£/tonne
Wheat	**Close**	**Previous**	**High/Low**
Nov	118.70		118.70 118.60
Jan	122.20	121.80	122.20 121.80
Mar	125.65	125.20	125.65 125.50
May	128.70	128.20	128.70 128.20
Jun	129.95		129.55
Barley	**Close**	**Previous**	**High/Low**
Mar	121.00	120.85	121.00

Turnover: Wheat 125 (85), Barley 26 (36).
Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement)	p/kg
	Close	Previous	High/Low
Nov	102.0	100.0	101.0
Jan	98.0		97.5
Feb	103.0		102.5
Apr	108.0	106.0	105.0
May	108.0	106.0	105.1

Turnover:33 (17) lots of 3,250 kg

MGMI – London FOX				
	Close	Prev.	High	Low	Vol
Indx	133.29	133.75			

LONDON METAL EXCHANGE			(Prices supplied by Amalgamated Metal Trading)			
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 18,438 lots
Cash	1132-3	1137-8	1135	1134-35		
3 months	1160-61	1165-6	1163/1158	1162-63	1158-59	136,652 lots
Copper, Grade A (£ per tonne)						Total daily turnover 23,415 lots
Cash	1339-40	1333.5-4.0	1342/1329	1329-30		
3 months	1319.5-20	1319-9.5	1321/1308	1314-15	1319-20	105,975 lots
Lead (£ per tonne)						Total daily turnover 2,110 lots
Cash	278-9	277.5-8.5	278.75/276.50	276.5-77		
3 months	290-0.25	290-1	292/288	288-8.5	290-91	12,999 lots
Nickel ($ per tonne)						Total daily turnover 1,820 lots
Cash	7240-60	7275-85		7245-50		
3 months	7310-20	7340-5	7340/7310	7310-12	7315-20	18,867 lots
Tin ($ per tonne)						Total daily turnover 1,106 lots
Cash	5515-25	5510-20	5520/5510	5520-21		
3 months	5575-77	5580-5	5585/5567	5580-85	5585-87	4,874 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,906 lots
Cash	1032-34	1029-31		1031-2		
3 months	1050-51	1047-8	1052/1044	1049.5-50	1051/52	32,882 lots

LME Closing £/$ rate:
SPOT: 1.7730 3 months: 1.7510 6 months: 1.7289 9 months: 1.7105

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	355.00-355.40	
Opening	355.10-355.50	
Morning fix	356.10	199.921
Afternoon fix	354.75	199.949
Day's high	355.30-355.70	
Day's low	354.80-355.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	4.54	6 months	4.39
2 months	4.58	12 months	4.31
3 months	4.51		

Silver fix	p/fine oz	US cts equiv
Spot	227.40	403.50
3 months	233.50	408.50
6 months	238.80	413.40
12 months	250.30	424.10

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	354.75-355.75	200.00-200.50
Maple leaf	365.00-366.00	205.75-206.25
New Sovereign	86.50-87.50	48.75-48.25

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1100	46	18	53	97
1150	17	35	22	66
1200	3	61	7	43
Copper (Grade A)	**Calls**		**Puts**	
2300	58	84	10	40
2350	25	58	28	60
2400	9	37	61	90
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
500	75	81	2	7
550	35	29	12	25
600	12	12	38	58
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	19	71	9	22
750	8	56	23	32
775	2	42	42	44
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
2150	29	47	65	
2200	15			
2250	12			

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Nov	353.9	355.3	0	0
Dec	356.7	358.2	357.5	355.7
Jan	358.2	357.7	0	0
Feb	359.5	359.0	360.2	358.5
Apr	361.9	361.4	362.6	361.4
Jun	364.4	3363.9	365.0	364.0
Aug	367.1	366.6	0	0
Oct	369.7	369.2	0	0
Dec	372.5	372.0	371.7	371.7

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	364.4	360.5	369.0	362.0
Apr	367.2	363.3	369.0	366.0
Jul	370.0	368.1	370.0	370.0
Oct	378.0	372.1	378.0	378.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Nov	402.6	399.8	401.0	401.0
Dec	403.8	401.0	406.5	401.0
Jan	405.4	402.6	0	0
Mar	409.7	406.6	412.6	407.0
May	413.7	410.8	415.0	413.5
Jul	417.3	414.4	419.0	416.0
Sep	421.4	418.5	421.0	421.0
Dec	427.5	424.5	428.0	426.5
Jan	429.8	426.8	0	0
Mar	434.2	431.2	431.5	431.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	105.00	104.35	105.25	104.80
Dec	104.60	104.00	105.10	103.90
Jan	103.90	103.35	103.70	103.50
Feb	103.50	102.95	103.50	103.05
Mar	103.00	102.45	103.40	102.45
Apr	102.35	101.90	102.50	102.50
May	101.80	101.40	102.10	101.40
Jun	101.35	100.95	101.80	101.60
Jul	100.90	100.65	101.00	100.90
Aug	100.50	100.15	100.60	100.60

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	58.42	57.67	58.80	57.40
Mar	60.49	59.74	60.89	59.50
May	61.03	60.35	61.35	60.15
Jul	61.70	61.00	61.94	60.63
Oct	63.27	62.72	63.35	62.70
Dec	63.59	62.96	63.90	62.98
Mar	65.02	64.35	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Dec	22.50	22.58	22.69	22.33
Jan	22.38	22.44	22.65	22.22
Feb	22.13	22.22	22.31	22.00
Mar	21.89	21.98	22.05	21.76
Apr	21.65	21.74	21.76	21.55
May	21.45	21.54	21.54	21.33
Jun	21.27	21.36	21.39	21.18
Jul	21.13	21.22	21.23	21.04
Aug	21.01	21.10	21.01	21.01
Sep	20.92	21.00	21.01	20.96

HEATING OIL 42,000 US galls, cents/US galls				
	Close	Previous	High/Low	
Dec	6658	6787	6785	6630
Jan	6712	6800	6820	6680
Feb	6598	6656	6670	6560
Mar	6285	6339	6350	6260
Apr	5980	6039	6040	5980
May	5790	5834	5840	5760
Jun	5660	5719	5720	5660
Jul	5635	5669	5670	5640
Aug	5690	5714	0	0
Sep	5805	5824	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1204	1199	1212	1196
Mar	1265	1261	1272	1258
May	1300	1298	1306	1294
Jul	1335	1327	1338	1328
Sep	1360	1354	1364	1335
Dec	1395	1390	1403	1393
Mar	1430	1425	0	0
May	1453	1448	0	0
Jul	1473	1468	0	0
Sep	1496	1491	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	79.00	78.30	79.30	77.60
Mar	82.85	82.20	83.30	81.60
May	85.25	84.40	85.50	84.05
Jul	87.95	86.70	87.40	86.05
Sep	89.80	89.60	89.75	89.75
Dec	94.15	93.50	94.00	93.00
Mar	97.65	97.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.55	8.61	8.64	8.54
May	8.50	8.56	8.61	8.49
Jul	8.45	8.54	8.58	8.45
Oct	8.45	8.52	8.55	8.44
Mar	8.42	8.48	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	168.70	169.25	169.25	168.00
Jan	171.80	173.10	173.25	171.10
Mar	172.10	173.30	173.20	171.00
May	172.50	173.45	173.00	171.50
Jul	172.15	173.30	0	0
Sep	171.85	173.00	0	0
Nov	160.85	162.00	0	0
Jan	160.35	161.50	0	0
Mar	160.35	161.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Nov.12	Nov.11	mnth ago	yr ago
1625.0	1629.0	1624.4	1699.4

DOW JONES (Base: Dec. 31 1974 = 100)				
	Nov.11	Nov.8	mnth ago	yr ago
Spot	112.52	112.96	113.67	122.51
Futures	121.17	121.70	123.12	127.16

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	546/2	546/2	547/0	543/6
Jan	549/0	547/4	549/4	546/0
Mar	557/4	555/0	558/0	554/4
May	566/6	563/2	567/0	563/4
Jul	574/4	571/6	575/0	571/6
Aug	576/0	573/4	576/4	575/0
Sep	571/4	566/4	572/4	569/0
Nov	574/0	568/6	574/4	569/0
Jan	583/0	578/4	583/0	581/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	18.73	18.71	18.78	18.65
Jan	18.87	18.82	18.92	18.82
Mar	19.21	19.17	19.25	19.14
May	19.48	19.46	19.57	19.46
Jul	19.78	19.76	19.88	19.76
Aug	19.95	19.95	20.03	19.95
Sep	20.10	20.07	20.15	20.06
Oct	20.15	20.05	20.20	20.15
Dec	20.45	20.40	20.50	20.45

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	178.2	177.8	178.3	177.0
Jan	176.1	175.7	176.3	175.0
Mar	174.5	173.9	174.8	173.2
May	173.3	172.7	173.5	172.3
Jul	173.3	172.7	173.3	172.3
Aug	173.0	172.7	173.5	172.3
Sep	173.5	173.2	173.6	172.6
Oct	183.7	183.0	184.0	182.8
Dec	184.5	184.2	184.5	184.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	243/2	243/0	244/0	242/6
Mar	252/6	252/4	253/2	252/0
May	259/2	259/2	259/6	258/6
Jul	264/2	264/2	265/0	264/0
Sep	257/6	257/4	258/0	257/4
Dec	255/2	254/6	255/2	254/4
Mar	262/0	261/4	0	0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	347/2	347/4	348/0	344/4
Mar	347/6	347/2	348/4	345/0
May	332/6	333/0	334/2	330/6
Jul	316/2	316/6	318/6	315/0
Sep	321/0	321/6	322/4	320/0
Dec	330/2	331/0	331/4	329/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	75.25	74.92	75.47	74.90
Feb	75.47	75.45	75.75	75.22
Apr	74.92	74.82	75.25	74.80
Jun	70.85	70.95	71.22	70.70
Aug	68.95	69.02	69.45	68.95
Oct	69.50	69.50	69.80	69.50
Dec	70.60	70.50	70.60	0

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	42.12	42.55	42.85	42.00
Feb	43.10	43.22	43.40	42.80
Apr	40.77	40.87	41.10	40.67
Jun	45.55	45.60	45.70	45.35
Jul	45.55	45.55	45.65	45.50
Aug	44.42	44.45	44.42	44.30
Oct	41.20	41.15	41.20	41.20
Dec	41.40	41.37	41.40	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	40.47	41.75	42.50	40.37
Mar	40.40	41.70	42.42	40.25
May	41.60	42.82	43.35	41.40
Jul	42.25	43.95	44.12	42.20
Aug	40.87	41.60	42.40	40.87

...s woolgrowers
...last, writes Kevin Brown
...rk deals
Vietnamese exports forecast at 1.2m tonnes
Chicago

LONDON STOCK EXCHANGE

Interest rate optimism boosts equities

By Terry Byland, UK Stock Market Editor

FAVOURABLE news on UK *producer prices and* more palatable trading reports from British industry pushed share prices ahead again in London yesterday. The FT-SE Index gained 20.6 points as interest rate optimism was fuelled by a fall in the annualised rise in producer prices to 5.2 per cent in October, the lowest level for nearly two years and greeted by Mr John Major, the UK prime minister, as "very good news indeed".

The fall in half-time profit figures from British Airways was by no means as heavy as some analysts had feared, and acted as something of an antidote to Monday's bad news from British Steel, although Steel gave further ground yesterday in very heavy trading. Concern now surrounds dividend prospects at British Steel, which has been held by institutions as a good yield stock.

Account Dealing Dates		
*First Dealings:		
Oct 28	Nov 11	Nov 25
Option Declarations:		
Nov 7	Nov 21	Dec 5
Last Dealings:		
Nov 8	Nov 22	Dec 6
Account Day:		
Nov 18	Dec 2	Dec 16

*New-time dealings may take place from 8.30 am two business days earlier.

The producer prices announcement focused the stock market's optimism for a base rate cut on Friday morning, when the latest retail price index is expected to show a fall in annual growth to around 3.5 per cent.

Equities opened quietly firm but were soon driven ahead by a strong premium on the FT-SE December futures contract which moved well above 2,600.

The market was also helped by firmness in BAA after an EC agreement on duty-free sales and in Royal Insurance which is raising capital as part of a link-up with other European insurers.

The gain in the Footsie was quickly extended to more than 23 points to the day's peak of 2,578.3. The pace then stalled and share prices drifted off the top when Wall Street disappointed London with a slow start which left the Dow Average with a gain of only 6 points in UK trading hours.

The FT-SE settled to a closing level of 2,575.5 for its final net gain of 20.6. Among the day's other strong features was Glaxo, responding yesterday to the share split in US markets.

Traders were quick to stress that yesterday's market was again very "stock selective", and that some institutions were either keeping out of the market altogether or were busy selling shares in British Steel; turnover in Steel made up about 11 per cent of the day's Seaq volume total of 513.6m shares. On Monday, Seaq volume of 403.5m represented only £693m in retail or customer business, painfully below the £1bn daily figures regarded as the minimum profitability level for the London-based securities industry.

Not all equity strategists were fully convinced by the argument that base rates may be cut very soon.

Some pointed to uncertainty in sterling yesterday and others reiterated the argument that, with the inflation outlook less clear next year, any further reduction in base rates may not come until nearer the next UK general election, pencilled in for May 1992 by many City analysts.

The economics team at Nomura Research Institute commented that UK underlying inflation will not fall as quickly as the chancellor forecasts and that he may be "disappointed" by headline inflation next year.

Mr Peter Thorne at Nikko, while accepting the likelihood that the UK government may keep the next "and last?" base rate cut until nearer the general election, adds that even so, optimism for a base rate reduction should help UK equities for some time.

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Turnover in Steel soars

TURNOVER in British Steel surged to 58m shares, exceeding Monday's near-record level, and the shares fell 7 further to 84½p after a number of leading institutions decided to reduce their holdings following Monday's poor results.

The day's volume included a block of 9m traded at 87p and a smaller one of 4m that was traded at 83p.

Negative sentiment was further affected by poor press comment that followed the results and news of the collapse of talks about a joint venture with Bethlehem Steel, of the US.

Sources close to the company are reported to have pencilled in a second-half dividend of only 1.5p, making a total of 4.5p against last year's annual amount of 8.75p. Traders are predicting further falls in the shares.

Airways strong

British Airways jumped 19 to 221p after the company surprised the market with better than expected first-half profits and an increased dividend.

Profits of £185m were far lower than the £320m recorded at the same stage last year, but well ahead of analysts' forecasts, which ranged from £100m to £125m. The market also appreciated a 5 per cent increase to 2.94p in the interim dividend. Dealers were keen to buy the shares following the results announcement and turnover rose to 22m by the close.

Most analysts upgraded full-year forecasts by about £60m to around the £210m mark. Mr James Halstead at Hoare Govett said: "These are good results and I am encouraged by the management's confidence displayed by its decision to increase the dividend."

Glaxo split

Heavy demand in the US on the back of its recent share split benefited Glaxo in the UK. The split was announced at the end of October, at the same time as the UK split, but did not affect the shares in the US until yesterday.

The price of the US shares, which are quoted in the form of American Depositary Receipts, halved from $57 (£33). There was heavy turnover in New York, where investors were also enthusiastic about a statement from the pharmaceutical group concerning its anti-emetic drug Zofran. One analyst commented: "Splits make no difference to the shares but always have a strong psychological effect."

In London, turnover of 7.6m shares was boosted by a line of *1.8m traded at 770p shortly* before the start of business. The trade was said to be part of a tax-related "bed-and-breakfast" deal. The shares closed 38 up at 829p.

Burmah slide

A substantial profits downgrade instigated by Nomura, the Japanese-owned securities house, prompted a sharp decline in Burmah-Castrol shares.

The stock retreated 13 to 550p, with turnover a higher than usual 1.4m shares. Ms Christine Baker at Nomura cut *her current year estimate from* £77m to £70m, with earnings per share down from 42p to 38.2p, and lowered her forecast for 1992 from £82m to £78m, with the earnings per share figure reduced from 45p to 42.5p.

Ms Baker cut the estimates because of the effect of a faltering German economy and the weakness of the dollar. The Nomura analyst pointed out that 25 per cent of Burmah's profits are D-Mark related. Foseco, acquired by Burmah last year, is highly geared to Germany's economy.

Woodrow weak

Construction group Taylor Woodrow was among the weakest performers in the building sector after two big London broking houses cut profits estimates and a large line of stock was sold well below the ruling market price.

Investment bank BZW reduced its estimate for this year by £8m to £40m and for next year from £52m to £50m. S.G. Warburg is believed to have lowered its expectations much more sharply, to £35m for 1991 and £40m for 1992.

BZW said its 1991 downgrade reflected the likelihood of land provisions by Taylor Woodrow, while the paring of the 1992 estimate was ascribed to a reduction in BZW's property expectations for the company. BZW maintained its "hold" recommendation on the stock *on the basis of the long term* quality of the group's business, the asset backing, and the 6.9 per cent yield on the shares. The securities house cautioned, however, that it had not included any Channel tunnel provision in its forecasts.

Dealers also noted a small bought deal in the stock, as one securities house paid 165p apiece for a line of 2.9m shares and immediately placed a block of 2.6m at 167p. Taylor Woodrow finished 14 down at 172p. Turnover totalled 6m shares.

Confirmation from Royal Insurance that it is involved in *talks with Aachener und Munchener* and Fondiaria, the German and Italian insurance groups, which may result in the two Continental companies injecting capital into Royal in exchange for convertible stock, reversed the recent steep share slide.

Royal said the discussions could lead to the two companies investing in an instrument convertible into a 15 per cent stake in Royal. The latter is scheduled to report third quarter figures tomorrow, with some analysts forecasting losses of double the £91m Royal lost during the same *nine months' period last year.*

The stock has been under pressure since March this year, retreating from a high of 482p to the 268p recorded last week. The slide, triggered by market fears about the size of the group's losses in the UK mortgage indemnity market, encompassed Prudential selling a 4 per cent stake in the composite insurer. Yesterday, stimulated by the Aachener/Fondiaria news, Royal shares raced up to 315p before settling 15 ahead at 309p. Turnover amounted to 5.2m shares.

BAA gained 11 to 449p on turnover of 2.3m, following the news that duty-free sales on journeys within the European Community will not be phased out until July 1999. The EC and some member states had pushed for abolition of duty-free from 1993.

Monday's poor British Steel results continued to cast a shadow over the engineering and aerospace sectors. British Aerospace gave up 4 to 351p and Rolls-Royce 5 to 136p.

Siebe continued recent weakness caused by a stock overhang and ended 5 easier at 483p.

Bid speculation continued to surround Steetley, the brick manufacturer, whose shares sped up to 322p before closing 7 higher at 317p. A takeover bid from the Continent is now thought to be more likely than a UK-sourced move.

Lloyds Bank put in the outstanding performance in the banks arena, with one seasoned trader pointing out that its shares had reached parity with Barclays Bank for the first time in over four years. He also said that Lloyds Bank's market capitalisation was within a whisker of overtaking that of NatWest Bank. Lloyds closed 7 higher at 400p, with Barclays marking time at the same price. NatWest edged forward 3 to 322p.

General Accident moved up 11 to 495p after revealing third-quarter figures in line with expecations. Some analysts, however, were slightly disappointed with the 353p a share "ex-life" net asset value.

Fisons declined 9 to 410p on negative sentiment, talk of a stock overhang, and a bearish note from agency broker James Capel underlining current concern over Fisons' lack of communication with analysts and investors.

SmithKline Beecham was unable to sustain its recent sharp rise as profit-takers moved the price of the "A" *shares down 7 to 818p.*

Smith & Nephew firmed 2 to 137p on speculation that a bid may appear from the US.

Enthusiasm ahead of half-time results due tomorrow continued to benefit BOC, which rose 8 to 589p.

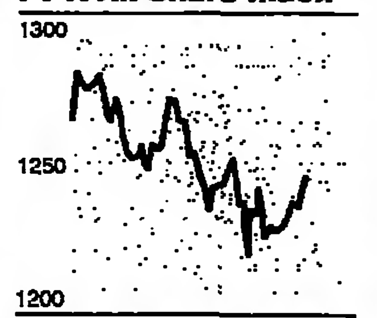
County NatWest's media team sent out a hefty publication, which landed on clients' desks yesterday and affected a number of stocks. Reed International picked up 10 to 498p, with County rating it as the quality stock in the sector.

Serious concern over Maxwell Communication Corporation continued in spite of *attempts by the banks to reassure* the market. News that the group had sold a subsidiary, Macmillan Computer Publishing, to Paramount Communications for $157.5m (£91.5m) failed to comfort the market and the shares slid 3 to 65p. Mirror Group gained 2 to 116p on heavy turnover of 8.3m.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Steve Thompson.

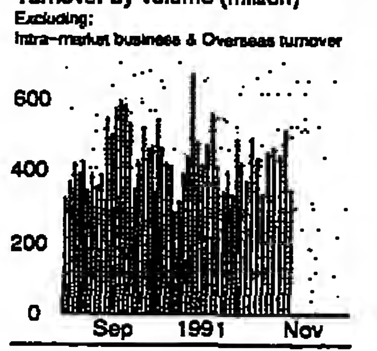
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 21.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Nov 12	Nov 11	Nov 8	Nov 7	Nov 6	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.96	86.97	87.26	87.04	86.74	80.35	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.57	96.55	96.53	96.45	96.24	88.48	97.17 (2/10)	90.59 (12/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1984.9	1972.0	1975.5	1966.7	1949.6	1593.6	2105.3 (2/9)	1609.3 (16/1)	2106.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	149.6	149.4	148.9	150.8	153.6	162.3	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2575.5	2554.9	2559.0	2538.0	2534.2	2058.0	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1165.75	1158.48	1159.92	1148.14	1144.82		1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.94	4.97	4.96	5.01	5.02	6.02				
●Earning Yld %(full)	7.15	7.60	7.59	7.67	7.69	12.51				
●P/E Ratio(net)(*)	17.58	16.50	16.51	16.36	16.31	9.68				
SEAQ Bargains 4.45pm	26,518	26,049	31,605	27,616	23,670	20,201				
Equity Turnover(£m)†	-	893.31	1072.13	902.58	1006.34	782.40				
Equity Bargains†	-	25,191	31,117	27,533	22,643	18,155				
Shares Traded (ml)†	-	347.5	507.2	446.2	471.2	385.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ● Partial.

Ordinary Share Index, Hourly changes — Day's High 1991.7 — Day's Low 1978.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1979.2	1983.8	1981.8	1983.5	1987.2	1990.0	1990.9	1990.3	1985.6

FT-SE 100, Hourly changes — Day's High 2580.3 — Day's Low 2558.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2559.1	2567.0	2566.5	2566.9	2573.0	2576.0	2578.2	2579.6	2576.8

FT-SE Eurotrack 200, Hourly changes — Day's High 1167.78 — Day's Low 1162.49

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1163.51	1163.51	1163.12	1163.50	1164.98	1165.91	1166.83

GILT EDGED ACTIVITY

Indices*	Nov 11	Nov 8
Gilt Edged Bargains	88.8	94.6
5 – Day average	94.3	95.3

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: *Tel. 0898 123001*

EQUITY FUTURES AND OPTIONS TRADING

TRADING in the derivatives markets again focused on the FT-SE futures contract as London based traders looked towards the chances for a cut in UK base rates on Friday when another sharp fall in the headline rate of domestic inflation is widely expected, writes Terry Byland.

The December contract opened higher and then raced to a premium of 38 against the cash market. With the current fair value premium at only 18, yesterday's initial surge put the December contract, which has seven weeks to run, at an unusually expensive level above cash. Better results than the City had anticipated from British Airways also drove the futures ahead.

In the latter half of the session, enthusiasm waned a little as Wall Street made an unexciting start to the new session. By the close, the premium on the December contract had been trimmed to around 30 points, still a favourable rating according to the sector specialists.

Business in the FT-SE traded options dominated this sector which was also more active. Of the 23,644 option contracts dealt, 16,911 were in the FT-SE option. Also active were British Airways options, with 1,973 contracts, and British Steel, with 1,325.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (64).
BRITISH FUNDS (2) Tr. 2pc IL 1994, Tr. 2pc IL 1996, AMERICANS (1) Merrill Lynch, BANKS (3) HSBC, Schroders, Do. N/V, BREWERS (5) Grand Met., Guinness, Do 5.75pc Prf., Do. 8.75pc Cnv., Wolv. & Dudley, CHEMICALS (4) Plysu, Wardle Storeys, Wolstenholme Rink, Yorkshire Chems., STORES (3) Body Shop, Brown (N), Smith (WH) A, ELECTRICALS (6) Beales Hunter, Borland Intl., CML Microsystems, Domino Printing, Hoskyns, Misys, ENGINEERING (2) VSEL Consortium, Victaulic, FOODS (5) BSN, Brake Bros., Dalepak, Thorntons, Wessanen, INDUSTRIALS (15) Airsprung Furniture, Cornwell Parker A, De La Rue, ECC, Glaxo, Halma, Kalon, London Intl., PCT, Petrocon, Scott Pickford, RCO, Sidlaw, Spring Ram, Unilever, INSURANCE (2) Domestic & Gen., Lloyd Thompson, LEISURE (2) Chrysalis, Stanley Leis., MOTORS (1) Evans Halshaw, TEXTILES (1) Hicking Pentecost, TRANSPORT (3) British Airways, Do. Cap. 9.75pc Cnv., Tibbett & Britten, TRUSTS (7) Dartmoor, Lancs & London, Murray Smaller Mkts. B, Rathbone Bros., Scottish Natl. Stppd. Prf., St. James's Place Cap., Templeton Emg. Mkts. Ln., MINES (2) Doral Res., Metana Minerals.
NEW LOWS (32).
BRITISH FUNDS (1) Tr. 12¾pc 1992, AMERICANS (1) Tenneco, CANADIANS (1) Imperial Oil, BUILDINGS (2) Hewetson, Tarmac, STORES (1) Ratners, ELECTRICALS (1) Radius, ENGINEERING (4) ASW, Beauford, Elliott (B), WB Inds., FOODS (1) Appleby Westward, INDUSTRIALS (10) ADT, British Aerospace, British Steel, Clayhithe 9.5pc Cnv. 2000-01, Elkem, Gestetner, JS Pathology, Nestor-BNA, T & N, Whitecroft, LEISURE (2) Quadrant, TSW, PROPERTY (2) Great Portland Ests. 9.5pc 2002, Union Square, SHOES (1) Stylo, TRUSTS (1) Castle Cairn Wrrnts., OILS (1) Aran Energy, MINES (3) Colby, Waverley Mining Fin., Western & Pacific.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

1991 High	1991 Low	Stock	Price £	+ or –	Yield (b)	(1)	(2)
123¼	115¾	Treas 2pc '94	123¼xd	+¼	2.46	3.44	
177½	168	Do. 2pc '96	177½	+¼	3.38	3.90	

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1991: 130.9 and for September 1991: 134.6.

[illegible]

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
107¾	95¾	African Dev Bk 11¼ Ln 2010	105¾	+⅛	10.52	10.40
102¼	91⅞	Asian Dev Bk 10¼pc Ln 2009	100⅞	+⅛	10.17	10.14
116⅛	105½	Int-Am Dev Bk 12½pc 2003	114⅞	+⅛	10.90	10.24
97⅛	86⅞	Do. 9½pc Ln 2015	95¾	+⅛	10.17	10.21
125	101	Ust Mexican States 16½pc 2008	124½	...	13.25	12.89

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or –		
106	102	N'wide Anglia 3¾pc Ln 2021	106			5.41
107¼	104	Do. 4.25pcIL '24	107	–¼		5.07

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or –		
53	52	Met. Wtr 3pc 'B'	52½	..	5.71	10.02

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	...	3.50	17.00
50	50	Do. 6pc 28 Stb. Ass.	50	...	3	16.00
50	50	Do. 4pc Mixed Ass.	50	...	2	14.00
55	55	Hung. 24 Ass.	55	...	2.75	13.57
133	120	Hydro Quebec 15pc 2011	131	+½	15.0	11.06

Continued on next page

APPOINTMENTS

Pioneer heads for Devon hills

LONDON and MANCHESTER, the Exeter-based life assurance and financial services group, has reshuffled its senior management in the run-up to the retirement of group chief executive, David Jubb, in January.

Now 62, Jubb has been the architect of a strategy that has transformed a sleepy and highly traditional life insurer into one of the industry's most innovative and consistently profitable companies.

Yet Jubb's retiring style – he is a teetotaller and a devout Anglican – means that his pioneering achievements have not had the recognition they deserve in an industry where many are impressed by displays of flamboyance and conspicuous consumption.

An actuary by training, Jubb introduced computerisation and unit-linked insurance to L&M in the late 1950s – as much as 20 years before much of the rest of the sector – and then in the 1970s spearheaded L&M's pioneering move out of London – again anticipating moves by competitors.

In the later 1980s, the management team which Jubb developed formed tighter links with high street brokers and intermediaries; this allowed the company to reduce its traditional dependence on its door-to-door salesforce.

His replacement, Tom Pyne, an actuary and former finance director, has been deputy chief executive for two years.

Simon McLean, presently the group's investment director, becomes managing director of the assurance business and will also control its growing mortgage book. John Cummings, previously finance director, becomes deputy managing director of LMA.

International merchant banking at ANZ

AUSTRALIA & NEW ZEALAND Banking Group (ANZ), one of the many foreign banks that foundered in its assault on the UK equity market, *is reorganising the London* operations yet again, placing Mark Coombs, just 31, in charge of a new international merchant banking division.

Folding the previously separate ANZ Merchant Bank into the main London operation coincides with a refocusing of the merchant banking function according to perceived strengths in specialised cross-border finance. UK corporate finance was closed just a month ago – following the earlier retreat from UK equity broking, which had included the old Capel-Cure Myers.

At a time when many banks are trimming their international operations, ANZ has decided to put its far-flung network, which was bolstered by the acquisition of Grindlays in 1984, to better use.

Coombs, who joined Grindlays from Cambridge, is a Londoner who denies that the faint Australian twang he has somehow acquired reflects an effort to please head office. He has created the emerging markets business – principally driven by LDC discounted debt trading – which was one of the few profitable areas of the old merchant bank. ANZ is already the leading provider of cross-border finance to the Indian subcontinent, and the second most active to Africa, according to Euromoney – although the bank admits it does not have to be doing much business to qualify for the latter position.

The plan is to build on those strengths, as well as developing other niches ranging from Islamic to tax-based cross-border finance.

Conveying capital to the lesser developed world need not be particularly risky, Coombs says – bankers operating in the US can fall flat on their face just as, if not more, easily.

■ A COHEN & CO announces the appointment of Peter Freburg as md of its Australian subsidiary Nonferral Pty on the retirement of Ken Leggett, who continues as chairman.

■ HUNTING GROUP announces the appointment of Roger Luscombe as director, corporate projects and development for its Fields and Metair companies; and of John Adkins as director and general manager at Metair from Meggitt Composites.

■ Pat Burke is appointed md of JAMES BURROUGH, an Allied-Lyons subsidiary.

■ Brian Boswell is moving from Rentokil to become group finance director of WHEWAY.

■ Peter McGinley is moving from Do it All to become personnel director of NURDIN AND PEACOCK CASH AND CARRY; Geoff Kid joins DO IT ALL as personnel and training director from Evans.

■ Michael Reid is appointed md of ALUMASC Building Products Division and chairman of the four companies in that division.

■ SHANDWICK announces the appointment of John Huckle as group finance director from Celltech; David Hubbard as a non-executive director; that Clive Ward has resigned as corporate development director; and Charles Jones has resigned as a non-executive director.

■ Andrew Messenger is appointed deputy general manager of WEST BROMWICH BUILDING SOCIETY.

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
34½	20⅞	Abbott Laboratories	34⅛	+½	$1.00	–	1.6
385p	218p	Allegheny & W 1c	223p	.....	30c	–	7.6
10½	667p	Amdahl 5c	894p	-20	10c	–	0.6
42½	25½	Amer. Cyanamid $5	34½	.....	$1.50	–	2.5
17⅞	9⅞	Amer Express 60c	10⅞	+⅛	$1.00	–	5.3
24½	15¼	American T & T. $1	21⅞	–⅛	$1.32	–	3.4
38⅞	32½	Ameritech $1	35½	–⅛	$3.40	–	5.4
26¾	12	BankAmerica $1⅝	22½	–⅞	$1.20	–	3.0
38	20	Bankers N.Y. $1	37⅛	+⅛	$1.52	–	7.2
30½	24½	Bell Atlantic $1	26½	–⅛	$2.52	–	5.4
31¼	25	BellSouth Corp.	27½	–¼	$2.76	–	5.6
11¼	6⅞	Bethlehem Steel $8	8¼	.....	40c	–	2.7
1839p	1046p	Bowater Inc.	1225p	-8	$1.20	–	5.5
54	37	CPC Intnl. 25c	45	-1	$2.00	–	2.4
430p	420p	California Engy	886p	.....		–	–
50	28¼	Campbell Soup 15c	44	–⅛	$1.16	–	1.5
12½	5⅞	Chase Manhattan $12½	10⅞	.....	$1.20	–	6.6
9	5½	Chrysler $6¼	7⅞	–⅛	60c	–	4.7
10½	5⅞	Citicorp $1	6⅛	.....		–	–
26½	21	Colgate-Palmolive $1	23½	–⅛	$1.06	–	2.5
928p	436p	Cont'l Bank Corp $4	563p	-18	60c	–	6.0
21½	13	Dana Corp. $1	15	–⅛	$1.60	–	6.0
1262p	203p	Data General	901p	-42		–	–
25⅞	12⅞	Dial Crop. $1.5	24½	–½	$1.40	–	3.2
29	20½	Dun & Bradstreet $1	28¼	–⅛	$2.16	–	4.3
40	24¼	Exxon Corpn. 50c	34	–⅛	$2.20	–	3.6
8½	5½	Echlin Inc.	6⅞	–⅛	70c	–	6.0
20½	14	FPL Group 1c	19	–⅛	$2.40	–	6.9
30	17	Fluor Corp 62½c	23	–⅛	32c	–	0.8
23½	13½	Ford Motor $1	14	–⅛	$1.60	–	4.0
46	28	Gen. Elect. 63c	38½	–⅛	$2.04	–	3.0
566p	270p	General Host Corp $1	397p	.....	34c	–	5.1
45½	20⅞	Gillette $1	24½	–⅛	62c	–	1.4
20⅞	794p	Hasbro Inc 50c	19⅞	+⅛	24c	–	0.7
38½	21¼	Honeywell $1½	33	+⅛	$1.50	–	2.6
23½	17⅞	Houston Inds.	22½	.....	$2.96	–	7.4
72	54	IBM Corpn $1¼	56½	–⅛	$4.84	–	4.8
32½	18	Ingersoll-Rand $2	29	–⅛	$1.32	–	2.5
28½	16½	Lockheed Crpn. $1	25⅛	–⅛	$2.00	–	4.4
2155p	1245p	Lowe's 50c	1570p	-76	56c	–	2.0
18⅞	9½	Manuf. Hanover $1	15½	–⅛	$3.28	–	11.9
31⅝	10	Merrill Lynch $1	31⅝	+⅛	$1.00	–	1.8
38½	21	Morgan (JP) $2½	36½	+½	$1.98	–	3.0
44½	25	Morris (Philip)	39		$2.10	–	3.0
46½	39	NYNEX $1	44½	–⅛	$4.56	–	5.8
89p	15p	Pac. Agricultural	23½p	.....		–	–
23	11⅞	Pall Corp. 25c	21½	+⅛	h44c	–	1.2
46½	33½	Pennzoil $3 1/3c	34	–⅛	$3.00	–	4.9
40½	24⅞	Quaker Oats $5	36½	+½	$1.72	–	2.7
27	16½	Rep NY Corpn $5	24	–⅛	$1.00	–	2.3
17⅞	12½	Rockwell Intl. $1	15½	.....	92c	–	3.4
25⅝	12	Sears, Roebuck 75c	28⅞	–⅛	$2.00	–	5.4
34½	25⅞	Southwestern Bell $1	33⅞	–⅛	$2.84	–	4.7
20½	14	Sun Co. Inc. $1	16½	–⅛	$1.80	–	6.3
27½	20	Tenneco $5	20	–⅛	$1.60	–	4.5
40½	29	Texaco $6.25	35	–⅛	$3.20	–	5.0
26½	15	Texas Instr. $1	17	–⅛	72c	–	2.3
64½	37	Time Warner $1	51	+⅛	$1.00	–	1.1
16½	8⅞	TRINOVA Corp	11	.....	68c	–	3.3
555p	250p	Unilab	555p			–	–
29½	22½	Utd Technologies	28½	–⅛	$1.80	–	3.6
92p	42p	Utilitech Inc.	82p			–	–
23	18½	US West	20½	–⅛	$2.08	–	5.7
162p	87⅞p	Varity Corp	112p	-3½	$1.30	–	–
24	16½	Waste Management $1	20½	–⅛	44c	–	1.2
2346p	1053p	Whirlpool $1	2870p	-49	$1.10	–	3.0
20	13½	Woolworth $3½	14	–⅛	$1.08	–	4.1

CANADIANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
11p	2p	Abbot Energy Corp.	3½p	+1½		–	–
1477p	953p	Amer. Barrick Res.	1381p		8c	–	0.3
19⅝	13	Bk. Montreal	19½	.....	$2.12	–	5.5
1029p	536p	Bk. Nova Scot.	1020p	-9	$1.00	–	5.0
848p	639p	BC Gas $1	834p	-14	60c	–	3.7
24	17¼	BCE	23½	–⅛	$2.56	–	5.5
10½	647p	Bramalea	927p	-8	$1.04	–	5.7
36p	9p	Breakwater Res.	11p	+1	10c	–	–
1725p	1180p	Can. Imp Bank	1648p	+4	$1.32	–	4.1
11	855p	Can. Pacific	970p	-9	64c	–	3.4
36	30	Do. 4pc Deb £100	35	.....	04%	–	11.4

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC—Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Australians

Tins

Miscellaneous

£6¼	£3⅝	Hemlo Gold Mines	65	.....	Q20c	–	2.2
£11⅛	£7¼	Homestake Mining $1	£8¼	–⅛	Q20c	–	1.3
61	30	Hibernia West	50	.....	–	–	–
46	35	Kells Mins Ir5p	42	.....	–	–	–
25	6½	Kenmare Ir5p	7½	.....	–	–	–
18	15	Navan Resources	18	+2	–	–	–
99	50	Northgate Expl. C$1	50	.....	–	–	–
16	5	North West Exp	5	.....	–	–	–
188	85	Oryx Gold Hldgs	117	.....	–	–	–
23	10	Ovoca Gold IR 2p	11	.....	–	–	–
44	17	Pittou Mining 20p	18	.....	–	–	–
605	404	RTZ 10p	562	+1	19.5	1.7	4.7
11	3½	Theroo Res. Inc.	7½	.....	–	–	–
10	2½	Vizcaya Hldgs 5p	2½	.....	–	–	–
152	20	Wstn & Pac Res	20	–5	–	–	–
133	111	Young Group 10p	111	.....	5.2	1.8	6.2

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ∥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	β	435xd	.....
Finlay Pkg. 5p	α	45	.....
Holt (Jos) 25p	β	2040	+5

IRISH

Cap 8½% Ln 2010	£95½	.....
9pc Cap Ln. 1996	£98½	.....
Fin. 13% 97/02	£114	.....
Arnotts	180xd	+2½
Helton Hldgs	35	–1
IRG	123½	.....
United Drug	170	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp.	48
BTR	35
Barclays	34
Blue Circle	20
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	33
Cadburys	35
Charter Cons	42
Comm Union	48
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	118
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	23
Rank Org Ord	58
Ratners	12
Reed Intnl	35
Sears	8½
SmKl. Beecham A	33
TI	39
TSB	13
Tesco	21
Thorn EMI	65
T&N	14
Unilever	68
Vickers	16
Wellcome	40

Property

Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Arita Petlm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res	1
Ultramar	20

Mines

Lonrho	20
RTZ	46

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int	6	117 0	117 0	124.1	+0 2	9 27
High Inc Equity	6	132 0	135 2xc	143 8	-0.5	5.91
Worldwide Bond	6	210 4	210 4xc	223 0	+0 4	6 73
Capital Growth						
American Growth	6	200 5	200 5	214 2	-0 7	1 04
Asian Pacific	6	121 0	123 5	131 3	-0 2	1 20
Assets & Earnings	6	181 9	185 4xd	197 2	-0 2	3 04
Capital Reserve Acc	0	110.2	110.2	110 2	+0 1	6.89
Capital Reserve Inc	0	87 13	87 13	87 13	+0 12	6 89
Comdty & Energy	6	73 35	73 35	78 44	-0 40	1 73
1992 Enterprise	6	65 67	65 67	70 23	-0 02	2.93
Euro Capital Acc	6	86 72	86.72	92.74	+0 12	1.12
Euro Capital Inc	6	82.85	82.85	88 60	+0 11	1 13
General	6	175 3	175 3	187.4	....	2.67
Japan	6	99 07	100 3xd	106 6	+0 4	-
Mastertrust	6	91 05	91 05	97.37	-0 05	2.63
UK Growth Acc	6	173 2	173 2	185 2	+0.3	2 15
UK Growth Dist	6	110 1	110 1xd	117 7	+0.2	2.19
US Emerging Cos	6	74 99	76 30	81.16	-0.29	-
Income & Growth	6	303 0	303 0xd	324 0	-0 7	4 32
Ethical	5	54 07	55 36	58 89	-0 07	2.65
International	6	62 57	63 40	67 44	-0 09	1.30
Dividend & Growth	6	49.45	50.73	53 96	+0 02	5.56
Global Gwth & Sec	6	52 75	53 00	56.38	-0 05	3 09
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	1121.0	1121.0	1177 0		0
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	29 46	29 44xd	31 22	-0 15	2.55
Cash	0	50 75	50 75	50 75	+0 01	10 15
European	5¼	66 92	66 92	71 01		0.32
European Income	5¼	70 77	71 13	75 04	-0.12	1.63
Exempt	1	803 3	803.3xd	832 1	+2.2	4.90
Extra Income	5¼	39 20	39 20	42 65	-0.05	5.81
Far East Emerg Cos	5¼	47 85	47 85	51.27	-0 07	1.25
Fixed Int Tst	5	114.2	115 4xd	123 2	-0 1	1.39
Fixed Int Tst Acc	5	184 7	186 8xd	199 4	-0 1	1.37
Bishopsgate Progressive Mgmt Co (1200)F						
15 St James Place, London SW1A 1NW 071-493 8111						
Progressive Inc	5	18 50	18 50	19 53	+0 10	0 86
Progressive Acc	5	27 88	27.88	29 42	+0 14	0 86
International Inc	5	19 33	19 55	20 63	.....	0 54
International Acc	5	26 23	26.52	27 99		0 54
Can & Foreign Inc	5	226 9	226.9	239.5	..	0.45
Can & Foreign Acc	5	271.2	271.2	286.2		0 45
Special Sits Inc	5	205 9	205.9	217 3		0 90
Special Sits Acc	5	223 6	223 6	236 0		0 90
PEP Inc	5	133 7	137.9	145.5		1 84
PEP Acc	5	142.8	147.2	155 4		1 84
Growth Inc	5	78.66	78.66	83 02		0 49
Growth Acc	5	79 46	79 46	83 86		0 49
Brewin Dolphin Unit Tst Mgrs Ltd (0905)F						
5 Giltspur St, London EC1A 9DE 071-236 6441						
Dolphin Special Sits	5½	124 5	124.5	133 1	+0 4	0.32
Dolphin Dividend	5½	58 06	58 06	62.09	-0 09	6.13
Dolphin Intl Inc & Gth	5½	156.8	156 8	167.7	-0 1	4 23
Dolphin UK & Gen	5½	35 49	35.49	37 95	-0 12	1 87
Dolphin Fund of Funds	5½	47 70	48.74	52 12		1 23
Britannia Life Unit Managers Ltd (1200)F						
190 West George St, Glasgow G2 2PA 041-332 3132						
Balanced Growth	6	78 42	79 18xd	84 69	-0 98	2 71
Do (Accum)	6	83 98	84 81	90 70		2 71
Service Cos	6	68.00	68 00xd	72 73		1.98
Do (Accum)	6	72.22	72.22	77.24		1.98
Income Growth	6	43 12	43 12	46 12		
Do (Accum)	6	60 72	60 72	64 94		
Higher Yield	6	32.38	32.86xd	35 15		4.90
Do (Accum)	6	41.47	42.10	45 03		4 90
American Gth Inc	6	34 53	34 66	37 07	+0 08	1 08
Do (Accum)	6	35 19	35 32	37 78	+0 08	1 08
European Growth	6	24 70	24.70	26 42	+0 06	1 40
Do (Accum)	6	25.39	25 39	27 16	+0 06	1 40
Global Bond Inc	6	23 10	23 18	24 79	-0 06	6 03
Do (Accum)	6	26 70	26 78	28.64	-0 06	6 03
Managed P'folio Inc	6	25 81	25 88	27 68	-0 01	-
Do Accum	6	25 81	25 88	27 68	-0 01	-
Brown Shipley & Co Ltd (1000)F						
9-17 Perrymount Rd Haywards Hth 0444 412262/3/4/5						
Mngd P'folio Inc	6	80 46	80.46	85 69	-0 09	2.43
Mngd P'folio Acc	6	148.5	148.5	158.2	-0.18	-
UK General	6	117.8	117 8xd	125.5	-0 10	4 04
Cash & General	6	16 97	16.97	18 07	-0.02	10 53
European Inc	6	20 21	20 21xd	21 76	-0.01	0.92
European Acc	6	20 76	20 76	22.35	-0 01	-
Financial	6	99 01	99 01	105 4		4 48
Foundation	6	62 02	63 51xd	67.64	-0 20	4 15
German	6	35 19	35 19xd	37 71	-0 15	0 11
Growth Inc (15-11)	5	23 89	23 97xd	25.53	-	3 63

For Geoffrey Morley see Commercial Union

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Murray Johnstone UT Mgmt (1000)H						
7 West Nile St, Glasgow G1 2PX 0345 090 933						
Acumen	5	70.19	70 41	75.15		4.75
Acumen Reserve	3	66.20	66.20	68.18	+0.14	9.70
American Income	5	130 49	130.50	137.70		3.05
Equity Income	5	82.84	82.84	88.40		
European	5	53.33	53.33	56 76		
Far Eastern	5	109.51	109 60	116.80		1.33
Smaller Cos	5	48.45	48.45xd	51.70		2.78
Olympiad	5¼	46 93	46.93	49.89		
Olympiad Income	5¼	43 62	43.62xd	46.45		5.29
UK Growth	5	76.01	76.61	81.77		1.27

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	49.60	49.60	50.09	+0.01	10.6
Capital Prfrmnce	5½	48.84	49.16	52.44	+0.02	9.16
Ethical	5½	49.72	50.73	53.97	+0.10	4.64
European Growth	5½	47.08	47.08	50.22	+0.06	2.8
Income	5½	47.21	47.70	50.88	-0.03	7.39
Intl Growth	5½	64.36	64.84	69.16	+0.07	3.33
Managed	5½	58.69	59.38	63.34	-0.06	4.50
UK Growth	5½	51.75	52.37	55.86	-0.10	5.51
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	196.0	198.5	206.7	-0.9	2.98
Do Income	3	187.1	189.5	197.3	-0.8	2.98
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5½	35.98	35.98	38.23	-0.1	2.47
UK Equity Gth Acc	5½	48.13	49.07	52.14		2.11
UK Eq High Inc Inc	5½	31.98	32.73	34.78	-0.4	5.67
UK Eq High Inc Acc	5½	35.96	36.80	39.11	-0.5	5.67
UK Equity Gen Acc	5½	46.31	47.09	50.04	-0.1	3.24
UK Equity Gen Inc	5½	36.24	36.85	39.16	-0.1	3.24
UK Larger Co Acc F	7½	302.3	306.5	332.6	-0.8	4.40
UK Larger Cos Inc F	7½	243.4	246.8	267.8	-0.6	4.40
Gilt & Fxd Int Inc	5½	27.57	27.66	29.24		7.64
O'seas Larg Co Acc F	7½	215.5	216.5	235.0	-0.7	2.16
Nth American Acc	5½	34.40	34.54	36.70		0.49
Far East Acc	5½	41.68	42.70	45.37	-0.2	0.20
European Acc	5½	33.39	35.09	37.29		1.56
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American	5	284.2	284.2	303.2	-0.7	1.37
(Accum Units)	5	334.5	334.5	356.8	-0.8	1.37
British	5	816.9	826.9	874.8	+2.2	5.93
(Accum Units)	5	1342.1	1358.5	1437.2	+3.6	5.93
European	5	314.8	314.8	335.2	+1.2	1.54
(Accum Units)	5	341.2	341.2	363.3	+1.3	1.54
Japan	5	114.0	114.0	121.1	..	-
(Accum Units)	5	114.9	114.9	122.0	..	-
New Pacific	5	171.8	171.8	182.5	-0.6	1.90
(Accum Units)	5	176.4	176.4	187.4	-0.6	1.90

	Bid Price	Offer Price	+ or -	Yield Gross
Funds In Court*				
Capital Oct 17	506.73	509.47		2.77
Gross Oct 17	187.84	189.38		10.33
High Yield Oct 17	296.38	297.74	...	7.39
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Personal Mngd	52.98	54.12	+0.06	3.95
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1192.0	1287.0	..	-
Mngd Pens (Acc)	68.7	73.2	..	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2480.0	2680.0	.	6.00
Inc Gth Pre Apr 16	£1325.0	1460.0	....	7.20
Lazard Investors Ltd ††				
Exempt Funds				
Small Co's Nov 6	£3956.2	4128.4	..	3.96
European Nov 6	£539.7	545.4	..	2.08
American Nov 6	£345.7	349.2	....	2.33
Japan Nov 6	£510.9	516.7	.	1.26
Pacific Nov 6	£137.0	140.8	..	1.97
W Midlands Sep 30	£147.60	164.90	..	2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Oct 31	193.25	197.20		7.85
Equity Oct 31	896.05	908.60		3.97
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Nov 11		102.22	+0.1	10.55
(Accum Units)		603.04	+0.2	10.56
NAACIF Nov 5		41.57	....	9.46
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Nov 12	126.7	135.7	+1.3	2.01
UK Small Co † Nov 12	544.6	597.4	+4.6	3.36
Fixed Interest † Nov 12	109.2	114.8	+0.5	8.69

Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

Century Life Plc

2 Eyre Street Hill, London EC1R 5AE 071-278 4488

Eagle Star Life Assurance Co Ltd

Bath Road, Cheltenham GL53 7LQ 0242 221 311

Guardian Royal Exchange

Royal Exchange EC3 071-283 7101

Legal & General – Contd.

Manulife Group – Contd.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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GUERNSEY (REGULATED**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED**)

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Baring International Fd Mngrs (Ireland) Ltd

Federated International Funds Plc

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Asset Global Funds Ltd (1200)

CMI Fund Managers (IoM) Ltd

Equity & Law Intl Fund Mngrs Ltd

Gartmore Fund Managers (IoM)

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers Intl Ltd

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

CMI Fund Mngrs (IOM)

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Equity & Law International Fund Mgs Ltd

Gartmore Fund Managers (IoM)

John Govett Management (IoM) Ltd

IBI Global Funds Limited

Target International (Isle of Man) Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Brown Shipley Fund Mgmt (CI) Ltd

Capital House Fund Mgrs (CI) Ltd

Gartmore Fund Managers International Ltd

John Govett (Channel Islands) Ltd

Hill Samuel Fund Mngrs (Jersey) Ltd

INVESCO MIM International Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd

TSB Trust Funds (CI)

TSB Trust Funds - Contd.

JERSEY (REGULATED)(**)

Barclays Intl Funds

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

EBC Trust Company (Jersey) Ltd

Equitilink International Mngt Ltd

Fidelity Investment (CI) Ltd

Hoare Govett

Invesco MIM International Ltd

Foreign & Colonial Mngt (Jersey) Ltd

John Govett Management (Jersey) Ltd

Minerals, Oils Res. Shs. Fd. Inc.

Morgan Grenfell Management (Jersey) Ltd

Murray Johnstone (Jersey) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Portfolio Fund Mgrs (Jersey) Ltd

The Portugal Fund Limited

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Money Fund Ltd

Scimitar Worldwide Selection Fd Ltd

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Worldinvest (Management) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund

Abtrust Fund Mngrs Luxembourg SA (u)

Aetna Intl Umbrella Fund (u)

Barclays Intl Funds (Luxembourg) (1400)

CMI Asset Management (Luxembourg) SA (u)

Commercial Union Luxembourg SA (u)

Cresvale Asset Advisers (Lux) SA (u)

Den norske Bank

Dice Income Fund

Dresdnerbank Asset Management SA (u)

Eagle Star - Global Assets Fund (u)

EquiFund-Wright National Eqty Fd (u)

Fidelity Funds (u)

Fleming Group

Gartmore Indosuez Funds

Gartmore Luxembourg SA (u)

Henderson Management SA (u)

Hill Samuel Inv Services Intl SA - Contd.

Hypo Foreign & Colonial Port Fd Sicav (u)

INVESCO MIM International Limited (u)

Kleinwort Benson Japanese Warrant Fund

Kleinwort Benson Select Fund (u)

Latin American Management Co Ltd (u)

Lloyds Bank Luxembourg

Liberty ALL-STAR World Portfolio-Eqty Fd (u)

Midland International Crncy Fund SICAV (u)

Morgan Grenfell UT Mgrs/Deutsche Bk (u)

Nomura Global Fund (u)

Norwich Union Intl Portfolio (u)

Samuel Montagu Intl Fd (u)

Sun Life Global Management Ltd (u)

Schroder International Selection Fd (u)

Taube Hosseini (Guernsey) Ltd (u)

Thornton Global Strategy SICAV

Warburg Asset Management Luxembourg SA

Wardley Investment Services (Lux) SA (u)

LUXEMBOURG (REGULATED)(**)

Alliance Capital

Asian Development Equity Fund

Atlantas Sicav

Banque Ferrier Lullin (Lux) SA

Banque Paribas Luxembourg

CB Fund International (u)

CM Investment Serial Funds

Capel-Cure Myers Intnl Fd Sicav (u)

Codevalor (u)

Cortexa International (u)

Credit Commercial de France

Credit Suisse

Daiwa Japan Gmi Fd

Daiwa Japan Small Equity Fd (u)

Dean Witter World Wide Invest. Tst SA

The Dragon Fund Sicav

Emerging Europe ... Sicav

Europe Plus Investissement (SICAV) (u)

Europe Value Fund (u)

EuroOtec (u)

Fidelity Intl Inv Mngt (Luxembourg) SA

Fleming Group

Frankfurt Trust Investment-GmbH

Indosuez Management

International Bond Fund (u)

INVESCO MIM International Limited

Investissements Atlantiques SICAV

Japan Growth Fd Sicav

Lloyds Bank International

Mediterranean Fund (SICAV) (u)

Merrill Lynch Asset Management

Morgan Stanley Sicav

Nitex Fund (u)

Nomura Asia Infrastructure Fd SICAV

Nomura Europe Fund

North Currency Fund

Pacific Basin Growth Fund

Quantum Global Mgmt Co SA (u)

Rosenberg Management

Rosenberg US Japan Mngmt Co SA (u)

SCI/TECH SA

Skandifond

Templeton Worldwide Investments

Thornton Management

Transworld Bond Trust

Target International Fountain Fund

US Pacific Stock Fund (u)

Unibank SA, Frontrunner I (u)

Unico Financial Services SA Lux

Viking Fund-SICAV

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Bond Fund-SICAV (u)

World Capital Gwth Fd-SICAV (u)

World Trust Fund

Yamaichi Advanced Technology Fd

Yamaichi 1992 DMNI Fund SICAV (u)

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Adig Investment

Aetna Malaysian Growth Fd (Cayman) Ltd

Allianz Capital

Austro-Hungary Fund Ltd

Asian Convertibles & Income Fd (Cayman)

BDA Associates

Baring International Group

Bridge Management Ltd

Bardier Funds Ltd

The Brazilian Inv Fund

Butterfield Management Co Ltd

CDC International

Capital International

Citizens Investment Trust Mgt Co Ltd

Connaught Investments Ltd (Hong Kong)

Credit Lyonnais Asset Management (HK) Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

Daiwa International Capital Mgmt

Dresdner Bank Inc Invest.

Emerging Markets Management

English & Dutch Investment Trust

Ermitage Group

Fidelity International Ltd

FPM / Swiss Financial Services

First Mexico Income Fund

Five Arrows Chile Fund Ltd

Formosa Fund

Frankfurt Trust Investment-GmbH

Free World Fund

The French Prestige Fund

Frobisher Fund Limited

Futures Fund Mngmt Ltd

GT Asset Management Plc

GT Chile Growth Fund Ltd

GT Deutschland Fund

GT Korea Fund

GT Management Plc - Contd.

Gaia Currency Funds

Gartmore Investment Ltd

Garmore Fund Managers Ltd

Genesis Fund Managers Ltd

Gentrust SA

Global Asset Management

Global Government Plus Fund

Granville Management Limited

Group One Limited

Guinness Flight Int Fd Mgrs (Guernsey)

Hambros Investment Partners Ltd

Hausmann Hldgs NV Curacao

Hill Samuel Investment Services Intl

Indosuez Asia Investment Services

Intermarket Fund

The Japan Fund N.V.

Japan Selection Assets Mngt

Jardine Fleming Unit Trusts Ltd

Korea Investment Trust Co Ltd

Lehman Brothers Sports Growth Fund

Lloyds Bank Geneva Switzerland

Lloyds Bank (CI) U/T Mngrs

Lombard Odier & Bishopgate International

Malaysia Capital Fund Ltd

Malaysia Fund Inc

Malaysia Select Fund Ltd

Malaysian Smaller Co's Fd (Cayman) Ltd

Marz Intl Fund Bhd

Merrill Lynch Germany

Mitsubishi Finance International Ltd

Morgan Stanley Japanese Warrant Fund NV

NM Financial Mngt Intl Ltd

Newport International Management

Nomura Warrant Fund 1990 Ltd

North Star Fund Managers (Cayman) Ltd

Northfield International Ltd

Optima Fund Management

Orbitex Bahamas Ltd

ORIENT Growth Fd

PAM Futures Trading (Cayman) Ltd

PFC International Portfolio Fd Mgmt Ltd

PRS International

Pacific Growth Fund

Pebleton Fund

Perpetual Investment Fund Ltd

Perpetual H I Port N.V.

The Regent Fund Ltd

Real Estate Strategies Ltd

Regent Fund Management Ltd

Rothschild Asset Management (CI)

Rothschild Asset Management (Bermuda)

Royal Trust North American Bond Fd

Sabre Fund Management Ltd

Safra Republic Holdings

Saudi Arabian Fund

Schroders Asia Limited

Scudder, Stevens & Clark Inc

Seymour Securities (Bermuda) Ltd

Shinhan Investment Mngmt (Bermuda)

Siam Smaller Companies Fund Ltd

Singer & Friedlander Ldn Agents

Societe Generale Group

Strategic Investment Fund

Taiwan (ROC) Fund

Templeton Galbraith & Hansberger Ltd

The Thai Development Capital Fd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Intl Fund Ltd

Thornton Currency Fund Ltd

Thornton Investment Management Ltd

Tokyo Pacific Holdings N.V.

Tokai Asset Allocation Funds

Tyndall Global Fund Ltd

US Unit Trust Funds

Warburg Asset Management

Wellington Fd Mngrs (Bermuda)

Wells Fargo U.S. Fund

Zeisimi International Ltd

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling comes in for support

THE BANK of England was forced to intervene on the foreign exchanges yesterday after sterling slipped briefly below DM2.90 as talk of lower UK interest rates and concern at the strength of the D-Mark continued to unsettle the markets.

Sterling had come under pressure in Far Eastern trading and there were some suggestions that the Bank of England had made its presence felt when it asked currency dealers in Australia for the latest sterling/D-Mark rate. However, analysts believed this had merely been a routine market operation by the Bank.

But there was further pressure when the London markets opened, with sterling slipping from third to second weakest currency within the ERM grid and to below DM2.90 – the level which the Bank of England is believed to have defended early last month when sterling slid after opinion polls began to put the opposition Labour party decisively ahead of the Conservatives.

Currency dealers said the Bank then quietly bought a modest amount of sterling, and soon after its intervention the pound rose back above DM2.90, staying for the rest of the session just above that level.

With the UK October producer prices figures showing a further easing in inflationary pressures, there was renewed talk in the financial markets about a cut in interest rates after the October inflation report is released on Friday.

The London stock market rallied on the hope that if, as many economists predict, the annual inflation rate falls to 3.6 per cent in October from September's 4.1 per cent base rates could be reduced by ½ point to 10 per cent.

However, the gilt and interest rate markets did not share the equity market's optimism, and after sterling's recent weakness many currency analysts believe the government will be reluctant to make an early move on rates.

Sterling closed lower at DM2.9000 from DM2.9050; at Y229.75 from Y230.00; and at FFr9.9075 from FFr9.9225, but rose to SFr2.5725 from Sfr2.5650 and to $1.7730 from $1.7695. Its index held at 91.2. In New York the pound slipped to $1.7695.

The US currency was also depressed against the strengthening D-Mark. The dollar moved off its lows after a report that there would be no further US cut in interest rates this year. By the close, however, the dollar was still down on the day as worries about a possible rise in German interest rates dominated sentiment. The US unit ended at DM1.6350 from DM1.6415 and at Y129.60 from Y130.00.

The Swiss franc was another casualty of the D-Mark's strength. The growing talk that lower Swiss inflation will allow a cut in interest rates undermined the franc. The D-Mark rose to 88.60 Swiss centimes from 88.30.

The Italian lira continued to fall following the recent small reduction in money market rates. The D-Mark climbed to a high of L753.50 at one stage before closing at just below L753.00, up slightly on the day.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 12	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.697	-3.69	5.19	64
Belgian Franc	42.4032	42.1016	-0.71	2.03	39
D-Mark	2.05586	2.04369	-0.59	1.91	43
Dutch Guilder	2.31643	2.30338	-0.56	1.88	32
Irish Punt	0.767417	0.764833	-0.34	1.65	19
Italian Lira	1538.24	1539.84	0.10	1.20	-1
Sterling	0.696904	0.704723	1.12	0.18	-23
Danish Krone	7.84195	7.93248	1.15	0.15	-49
French Franc	6.89509	6.98494	1.30	0.00	-67

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

Nov 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7705 - 1.7775	1.7725 - 1.7735	0.86-0.84cpm	5.75	2.30-2.27pm	5.16
Canada	2.0010 - 2.0115	2.0050 - 2.0060	0.45-0.41cpm	2.57	1.37-1.24pm	2.60
Netherlands	3.2615 - 3.2725	3.2625 - 3.2725	[illegible]	1.15	[illegible]	0.84
Belgium	59.50 - 59.90	59.75 - 59.85	10-5cpm	1.51	16-10pm	0.87
Denmark	11.2440 - 11.2785	11.2625 - 11.2725	[illegible]	1.20	[illegible]	0.93
Ireland	1.0845 - 1.0875	1.0845 - 1.0855	par-0.05cdis	-0.28	0.07-0.15dis	-0.41
Germany	2.8975 - 2.9040	2.8975 - 2.9025	[illegible]	1.29	[illegible]	0.95
Portugal	248.70 - 250.30	249.20 - 250.20	31-47cdis	-1.87	141-180dis	-2.57
Spain	182.30 - 183.05	182.40 - 182.70	33-42cdis	-2.47	97-114dis	-2.31

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7730	1.7645	1.7502	1.7297	1.6925

MONEY MARKETS

London rates firm

UK MONEY rates were slightly firmer again yesterday as sterling slipped against the D-Mark. However, trading was quiet with turnover levels said to be low.

The key three months interbank rate, which closely shadows the level of bank base rates, was up ⅛ point at 10⅝-⅛ per cent. Six months money was also firm at 10⅝-⅛ per cent, while one year money was at 10¼-⅛ per cent.

Speculation has been growing in financial markets, particularly equities, that the release of the inflation figures on Friday could be the opportunity for a reduction in interest rates.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

But most money dealers believe the weakness in sterling – yesterday the Bank of England was forced to support the currency – makes an immediate rate cut unlikely.

A dealer commented: "In their heart of hearts, most people in the money market do not expect an early cut in interest rates." The government would have to wait for calm to return to the currency markets and sterling to strengthen for a move on rates.

This view was reinforced by a fall on the interest rate futures market – a clear sign that the current pressure on rates is not downwards.

The December short sterling contract declined 5 basis points to 89.79, implying an interest rate of 10.21 per cent by the end of the year.

In its money market operations the Bank of England forecast only a small liquidity shortage of £300m, later revised to £350m. The Bank provided assistance of £289m, of which £229m were bank bill purchases and £60m late assistance.

In Tokyo, there was continuing talk that the Bank of Japan was about to lower the official discount rate, perhaps by ¾ point, from its level of 5½ per cent.

German money market rates firmed slightly as demand for short-term money increased. Call money was quoted at 9.05-9.10 per cent from 9.00-9.05 per cent. There was also talk that the Bundesbank may drain liquidity at its securities repurchase tender this week.

In the futures market, dealers were continuing to talk about an upward move in German interest rates. The December Euro-mark contract fell 9 points to 90.54.

The recent comments by Mr Helmut Hesse, the Bundesbank council member, that rates may have to rise has prompted the speculation.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.12) 3 months US dollars		6 months US Dollars	
bid 4 13/16	offer 5 1/16	bid 4 15/16	offer 5 3/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

4pm					
Prime rate	7½	One month	4.60	Three year	5.96
Broker loan rate	7	Two month	4.71	Four year	6.07
Fed. funds	4¾	Three month	4.76	Five year	6.62
Fed. funds at intervention	4⅞	Six month	4.87	Seven year	7.03
		One year	4.95	10-year	7.35
		Two year	5.64	30-year	7.79

Nov 12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.00-9.10	9.00-9.15	9.23-9.35	9.20-9.35	9.20-9.35	9.25
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.25
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	9.00-9.13	9.18-9.23	-	9.28-9.33	-	-
Tokyo	[illegible]	[illegible]	-	[illegible]	-	-
Milan	[illegible]	[illegible]	-	[illegible]	-	-
Brussels	9.12-9.25	[illegible]	-	[illegible]	-	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

Nov 12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10½	10½	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	[illegible]	[illegible]	-	-	-	-
Company Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Bank Bills (Buy)	-	-	[illegible]	10	[illegible]	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.90	5.00	4.98	5.12
SDR Linked Dep Offer	-	-	[illegible]	7	7	7
SDR Linked Dep Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]

BASE LENDING RATES

Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co	10.5	Westpac Bank Corp	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,697 Set by ALAUN

ACROSS

1 A last request before the shooting (5,6)
7 Swindled, went into action (3)
9 Conclude the firemen somehow got me out (5)
10 It shows which parts of the country are in recession (6,3)
11 It's lucky it's a forgery (9)
12 Wonderful to have an arm round again (5)
13 Hide, with the remnant of a smile, the heartbreak (7)
15 Got even with, or fixed (4)
18 She gets one last round (4)
20 The order being fruit (7)
23 Any attempt to inject causes pain (5)
24 Move warily, being a mere cat's-paw (9)
26 The shellfish, in a minor way, got us upset (9)
27 On the other hand it is an acquisition (5)
28 Fight back, lacking experience (3)
29 Some missing nuts (3,3,5)

DOWN

1 Not very fair; underhand about it (8)
2 Getting the confounded plant in, a nail split (8)
3 Strange: it's a quarter to before I get in (5)
4 The drunkard's dog? (7)
5 In disorder, the soldiers turned tail, trapped (7)
6 Ageless, like the eternal ingenue (9)
7 Girl brought up to be man-mad (6)
8 A western vice (6)
14 Not a single holiday! (9)
16 The green boat is wrecked through deliberate destruction (8)
17 Give life to, perhaps (8)
19 In the warehouse, taking up one's place (7)
20 Have either too many or not enough in hand (7)
21 Revel in overturning the rule, deep down (6)
22 Craftsman who's becoming a member of the club? (6)
25 While still holding what one brought in the brewery (5)

Solution to Puzzle No.7,696

KIMONO IMMODEST
EASEUP ASWANDAM
INURES SERENADE
UNTRUE WED
SWARMED
SERENE
BALLROOM REVISE
CHOPCHOP ORNATE
SHEARERS ADVENT

WORLD STOCK MARKETS

CANADA

TORONTO

4.00 pm prices November 12

INDICES

NEW YORK

DOW JONES	Nov 12	Nov 11	Nov 8	Nov 7	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3054.11	3042.26	3045.62	3054.11	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.92	97.66	97.86	97.81	97.92 (12/11)	91.30 (16/1)	97.92 (12/11/91)	54.99 (1/10/81)
Transport	1278.03	1269.43	1265.70	1281.39	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.45	218.26	218.83	219.77	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3078.71 (3057.69) Low 3028.62 (3025.27)

STANDARD AND POOR'S

	Nov 12	Nov 11	Nov 8	Nov 7	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	396.74	393.12	392.89	393.72	396.74 (12/11)	311.49 (9/1)	396.74 (12/11/91)	4.40 (1/6/32)
Industrials	467.37	462.85	462.76	463.60	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	32.50	32.28	32.13	32.17	32.50 (12/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	219.00	217.07	216.82	217.14	219.00 (12/11)	170.97 (9/1)	219.00 (12/11/91)	4.46 (25/4/42)
Amex Mkt. Value	392.37	391.24	390.46	388.26	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	555.68	550.71	548.08	545.28	555.68 (12/11)	355.75 (14/1)	555.68 (12/11/91)	54.87 (31/10/72)

	Nov 8	Nov 1	Oct 25	year ago (approx.)
Dow Industrial Div. Yield	3.05	3.03	3.09	4.09

	Nov 6	Oct 30	Oct 16	year ago (approx.)
S & P Industrial div. yield	2.72	2.71	2.73	3.54
S & P Indl. P/E ratio	21.19	21.37	21.17	14.43

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Glaxo	6,352,500	29⅝	+ 1⅛
RJR Nabisco	3,442,000	10¼	...
PSEG	3,036,900	27⅞	- ⅞
Ford Motor	2,924,200	25⅝	+ ½
Limited	2,911,600	26⅞	+ ⅞
East Kodak	2,622,100	48⅝	+ 2⅞
Telefonos	2,360,900	44⅞	+ 1⅞
Gen Motors	2,121,300	33	+ ⅞
Philip Morris	1,977,800	70⅞	+ 1
BankAmerica	1,813,000	38⅞	- 1⅛

TRADING ACTIVITY

† Volume (Millions)	Nov 12	Nov 11	Nov 8
New York SE	198.600	128.910	183.513
Amex	16.666	11.289	14.161
NASDAQ	(u)	153.630	211.432
NYSE			
Issues Traded	2,162	2,128	2,146
Rises	1,097	836	887
Falls	581	742	728
Unchanged	484	550	531
New Highs	200	117	145
New Lows	11	22	9

CANADA

TORONTO	Nov 12	Nov 11	Nov 8	Nov 7	1991 HIGH	1991 LOW
Metals & Minerals	3119.54	3077.99	3060.64	3036.52	3299.99 (18/7)	2632.06 (9/1)
Composite	3604.09	3579.30	3561.56	3546.70	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1907.36	1887.57	1880.59	1868.77	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov 12	Nov 11	Nov 8	Nov 7	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1677.0	1693.4	1696.3	1683.5	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	652.4	660.7	663.2	664.1	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	419.66	419.89	415.05	400.46	534.81 (16/4)	385.58 (4/1)
BELGIUM						
BEL20 (1/1/91)	1105.76	(c)	1104.35	1102.89	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	366.52	366.93	367.13	366.24	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	815.1	821.1	822.2	821.8	1186.9 (8/4)	815.1 (12/11)
FRANCE						
CAC General (31/12/82)	496.90	(c)	494.91	492.65	497.62 (2/10)	394.88 (15/1)
CAC 40 (31/12/87)	1858.44	(c)	1857.55	1838.57	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	666.39	663.40	660.31	650.89	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1880.6	1870.6	1861.5	1834.1	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1621.22	1609.02	1606.22	1578.40	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4253.02	4230.91	4236.64	4184.74	4253.02 (12/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1422.61	1415.47	1409.21	1414.64	1530.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	512.09	510.56	509.86	512.06	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	24667.73	24232.99	24486.49	24446.76	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1845.52	1833.95	1846.81	1850.41	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2779.97	2785.46	2795.38	2811.25	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	556.73	554.57	536.19	533.16	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	284.1	281.6	282.2	278.4	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	199.5	197.8	198.4	195.8	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	695.13	688.03	705.49	710.31	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1103.52	1119.64	1080.86	1053.88	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	405.17	408.65	404.06	396.70	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1084.0	1091.0	1088.0	1114.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4332.0	4315.0	4319.0	4303.0	4332.0 (12/11)	2829.0 (16/1)
SOUTH KOREA **						
Korea Comp Ex. (4/1/80)	677.53	679.58	682.03	679.42	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	254.93	256.87	257.72	254.51	289.22 (18/3)	213.78 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1001.1	1005.6	1081.1	1006.0	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	765.2	757.3	756.6	750.0	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	625.8	622.5	623.5	614.7	638.0 (31/5)	487.1 (14/1)
TAIWAN **						
Weighted Price (30/6/66)	(c)	4491.68	4439.49	4424.85	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	683.39	688.74	686.83	672.60	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	527.3*	524.8	524.2	524.9	529.2 (17/4)	439.1 (16/1)

**Saturday November 9: Taiwan Weighted Price 4495.13; Korea Comp Ex. 684.66.

& Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday, 12 November 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toyo Ink	5.8	715	+80	Nippon Steel	3.4	385	0
Nisshin Oil	4.6	1,150	+60	Chugai Pharm	3.0	1,380	+80
Meiji Seika	4.5	1,170	+40	Hitachi	2.3	872	+2
Meiji Milk	4.0	1,150	+30	Fujitsu	2.2	902	-4
Japan Storage	3.9	1,160	+50	Mitsubishi Heavy	2.2	720	+2

4:00 pm prices November 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.03	19	694	14⅛	13⅞	14⅛	+⅛
21⅜	14½	A L Labs A	0.16	0.01	34	1857	u22⅝	21½	22⅜	+⅞
55⅜	40⅞	AMP Inc x	1.44	0.03	92	1814	54	53⅛	53⅞	+½
68⅞	44¼	AMR			12	4857	61⅞	61	61⅝	+⅜
2⅜	1	ARX			1	367	1⅛	1⅛	1⅛	-⅛
58	41½	ASA x	3.00	0.06	13	326	47	46⅞	46⅝	-⅛
60¼	39¼	Abbott Lab	1.00	0.02	24	5112	u61⅞	60⅞	61⅛	+1
14⅝	9⅞	AbitUbi Pr	0.50	0.04	25	15	13⅞	13⅝	13⅞	
11⅝	10⅛	ACM Gvt In x	1.26	0.12		473	11	10⅞	10⅞	-⅛
9¼	8¾	ACM GvOpp x	1.01	0.11		148	9½	9½	9½	
9½	8⅛	ACM Gvt Sp x	1.01	0.11		391	9¼	9⅛	9⅛	-⅛
11	9⅞	ACM Gvt Se	1.26	0.12		391	10⅝	10½	10½	-⅛
9	7⅝	ACM Man x	1.01	0.12		1310	u9	8¾	8⅞	-⅛
12⅞	11½	ACM Manegd x	1.35	0.10		281	u12⅞	12⅜	12⅞	
7½	4¼	Acme Cleve	0.40	0.06	17	86	6½	6⅜	6⅜	+⅛
6	3⅜	Acme Elect			45	42	5	4⅞	5	
40	22¾	Acuson			83	676	36¾	36⅝	36⅝	-⅛
20⅛	14¼	Adams Exor	0.73	0.04	1	81	u20¼	19⅞	20⅛	+⅛
20⅛	17½	Adobe12Pf	2.40	0.12		8	19⅛	19	19⅛	
8¼	6⅝	Adobe Res			49	70	7⅜	7¼	7⅜	
38⅞	18	Ad Micro				192	36⅞	35	36	-⅞
14¼	4⅝	Ad Micro P	3.00	0.23	99	5321	13⅛	12⅜	13	
8⅛	2⅜	Advest Grp	0.16	0.04	6	163	4⅛	3⅞	4	+⅛
49⅛	31⅞	Aetna Ll	2.76	0.07	38	3322	41⅝	41	41¼	+⅛
10⅝	6⅝	Affil A x	0.24	0.03	54	586	8⅛	8	8⅛	+⅛
20⅞	12	Ahmanson x	0.88	0.06	10	1981	16⅛	15¾	15⅞	
17⅜	2⅞	Aileen Inc			15	106	u18	17½	18	+½
74⅛	51⅞	Air Pr Chm	1.56	0.02	17	1082	72	69⅞	72	+2⅜
30	16⅝	Airborne Frt x	0.30	0.01	57	4528	23¼	22½	23	+½
21⅛	12½	Airgas Inc			76	584	20⅝	20⅜	20⅝	+⅛
15¼	10	Airlease	1.68	0.14	6	48	12⅛	11¾	11¾	-¼
99½	86⅛	AlaPw8 16 x	8.16	0.08		z100	u99½	99½	99	-½
25⅛	21⅜	AlaPw PfA	2.00	0.08		11	u25⅛	25⅛	25⅛	
107	100	AlaPw8 44 x	8.44	0.08		2	106½	106½	106	-½
[illegible]										

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NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Prev. Close	Chg
85½	35⅛	Xerox x	3.00	0.04	8	11369	85⅞	84⅞	85¼		+1⅛
51¼	43¼	Xerox4 125 x				2	50¼	50½	50½		
26¼	14⅛	Xtra 1.94 x				2	23⅛	23¼	23¼		−⅜
29⅞	14⅞	Xtra Corp x	0.72	0.02	98	129	28⅞	28⅝	28⅞		
27⅞	21⅞	Yankee Egy	1.80	0.06	12	33	27	26⅞	27		+¼
1½	⅛	Zapata			1	205	⅝	d⅛	⅝		−⅛
9⅝	5⅛	ZenithElec			2	771	7¼	7⅛	7⅛		
18½	12	Zenith Nat	1.00	0.06	24	15	16¼	16¼	16½		+⅜
8⅜	4½	Zenix Inc	0.84	0.13		90	u6⅞	6⅛	6⅞		+⅛
15⅛	10⅞	Zero Corp x	0.40	0.03	15	168	12	11¾	12		+⅛
41⅞	28½	Zurn Ind x	0.88	0.02	14	255	34⅞	33⅞	34⅞		+⅛
13½	10¼	Zweig Fund	1.16	0.09		117	13	12⅞	12⅞		−⅛
10½	8½	Zweig Totl x	0.98	0.09		427	10⅛	10¼	10⅛		

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices November 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Oil Corp	0.14	26	1011	9¼	8⅞	9⅛	
Pall Corp	0.44	27	609	38¼	37⅝	38	+¼
Pegasus G		85	1173	10⅞	10⅝	10⅝	−¼
Perini		142	117	10	9¾	10	
Pet HI&P	0.31	13	5	u10⅞	10⅞	10⅞	

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NASDAQ NATIONAL MARKET

4:00 pm prices November 12

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		29	2743	26¼	24½	25⅞	−⅛
XL Data		33	830	11⅛	10¼	11	+⅛
Xoma Corp		47	5445	20¼	19¼	19⅞	+¼
Yellow Fr	0.94	103	707	31⅛	31	31½	
[illegible] Rsch		71	723	8⅞	8¼	8⅞	+⅛
Zions Utah	1.44	9	20	47½	46⅞	46¼	

AMERICA

Firm bonds boost equities as Glaxo ADRs lead way

Wall Street

EQUITIES staged a fairly broad advance in moderately heavy trading yesterday as a firmer bond market helped sentiment in the absence of general market-moving news, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average ended 11.85 higher at 3,054.11 after New York SE volume of 193.5m shares. Advancing issues outscored declines by 1,087 to 583. The Standard & Poor's 500 reached a record high of 396.74, up 3.62 on the day. On Monday, the Dow eased 3.36 in quiet trading.

The stock market took some of its strength from the bond market, where the bellwether 30-year bond was quoted 1/32 higher to yield 7.79 per cent in late trading.

Glaxo's American Depositary Receipts (ADRs) climbed $1⅛ to $29⅝ in active trading. The issue was bolstered by a two-for-one stock split and enthusiasm over the prospects of the company's Zofran anti-nausea drug.

The company is seeking a wider label for Zofran, which is already used to treat nausea in chemotherapy patients. If it receives permission to market the drug for post-operative nausea and vomiting, this could bring in sales of $1bn by the mid-1990s.

Merck, another big pharmaceutical concern, forged ahead $4⅛ to $139⅝ on reports that the company's Vasotec drug can prevent the onset of congestive heart failure. Smith Barney added Merck to its "buy" list.

McDonnell Douglas climbed $4⅝ to $77 after the company said that it no longer needed to sell its financial services operations and would focus on aircraft financing and commercial equipment leasing.

In the banking sector, BankAmerica eased $1½ to $38⅛ after an analyst at Prudential Securities was reported to have cut earnings estimates for the company for 1992 and 1993, amid concern about the deteriorating state of the Californian economy and worries that the pending merger with Security Pacific might further weaken earnings.

A 5 per cent dividend rise and surprisingly strong results helped British Airways ADRs jump $3⅝ to $39⅛.

Among other earnings-related stock movements, The Limited rose $⅝ to $26⅝ after easing earlier in the day when the company turned in third-quarter earnings of 20 cents a share compared with 23 cents in the same period of 1990.

Deere & Company advanced $1⅞ to $54¾ in spite of a projected fourth-quarter loss related to a charge of $120m.

Among blue chip issues, Philip Morris firmed $¾ to $70⅝ and Ford added $⅝ at $25⅝. Goodyear Tire & Rubber lost $1 to $50½ and Walt Disney eased $1¾ to $112⅞.

In the over-the-counter market, the Nasdaq composite was 4.97 ahead at 555.68. American Software dropped $2¼ to $13⅝. The company is expected to turn in second-quarter earnings of between 16 cents and 21 cents a share, against earnings of 21 cents a year ago.

Canada

TORONTO posted a solid gain in active trading. The composite index closed 24.8 ahead at 3,604.1 as advances outnumbered declines by 360 to 252. Trading activity resumed its busy pace after Monday's Remembrance Day lull, with 30.4m shares changing hands, up from 19.7m.

Northern Telecom said it expects its share of Ameritech's proposed $1.05bn network modernisation project to be $650m to $750m. The stock jumped C$1⅛ to C$50⅛.

European volume grows after summer lull

Belgium and Italy took the lead in October's trading recovery, writes **Antonia Sharpe**

EUROPEAN bourses showed a gratifying improvement in volume last month, in the wake of a quiet summer's trading. The biggest increases were to be found in Belgium and Italy where turnover had fallen to unusually low levels.

According to data supplied by County NatWest, Belgian turnover jumped by 21 per cent to BFr37.16bn, its best showing since June when turnover stood at BFr40.69bn. Mr Jeffrey Taylor of Dillon Read says the rise in activity can be partly attributed to speculation before and after the takeover bid for Wagons-Lit, the travel company, by Accor, of France.

The climate on the Brussels stock market has also improved, as fewer cash calls in the third quarter have redressed the supply/demand balance for new paper. International investors are also showing more interest in the market after the quiet summer.

There are other factors which make Brussels an attractive market, analysts say. Although the election campaign has been relatively low-key, the market is expected to rally after polling day on November 24. Furthermore, inflation fell to 2.2 per cent in October, the lowest since January 1989, and two surveys published recently by the National Bank indicate that the economy may have hit a floor.

Ms Deborah Rees of Kleinwort Benson comments: "An improvement in fundamentals will be necessary to ensure that the expected short-term rally does not disappear in a puff of smoke." The Belgian economy would be spurred by a lowering of interest rates, but a reduction in Belgium would have to come in a reaction to a German rate cut.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	July 1991	Aug 1991	Sept 1991	Oct 1991	US $bn
Belgium	34.55	32.12	30.67	37.16	1.08
France	101.88	90.82	102.57	110.92	19.45
Germany	110.00	106.68	80.38	88.43	53.05
Italy	8,733.60	7,712.00	8,428.00	7,530.80	6.03
Netherlands	10.75	11.74	9.98	11.24	5.98
Spain	630.86	585.00	476.00	516.08	4.93
Switzerland	9.42	10.40	9.10	9.30	6.35
UK	32.13	30.55	31.95	32.19	55.14

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised
Source: County NatWest WoodMac.

Italian volume showed the second-best improvement on the month, rising 17.2 per cent to L7,530.8bn, although Mr James Cornish of County points out that turnover was still below August's level. "September was such an awful month for Italy," he says, referring to strikes by floor traders and brokers going bankrupt.

Domestic and foreign brokers are starting to turn more positive on the market, in the hope that the transition from a broker-monopoly to a bank-dominated market at the turn of the year will lead to a cut in trading costs and an improvement in transparency.

Turnover in Germany ro by 10 per cent to DM88.4 but was still far bel August's level, indicating th investors were still not in ested in making fresh p chases. However, Mr Corn adds that volume has cont ued to improve so far th month, as sentiment towa the market warms. In the p month both County and U Phillips & Drew have chang their recommendations fr hold to buy on the diversif car manufacturer Daiml which has a heavy weight in the real-time DAX index.

Most analysts say that t upside on the German mar is limited by the Bundesba which is expected to ra interest rates once more, pos bly early next year. Howev they agree that the bad new increasingly in the price, f lowing the wave of earni downgradings in October.

EUROPE

New withholding tax details please Frankfurt

DETAILS OF a new withholding tax lifted Frankfurt while most other bourses closed little changed, *writes Our Markets Staff.*

FRANKFURT had anticipated, and received, a favourable reaction to the new withholding tax on interest income. The detail, exempting both foreigners and 80 per cent of the German population, was slightly more generous than expected, and the DAX index closed 12.20 higher at 1,621.22 after a 2.99 rise to 666.39 in the FAZ at midsession. Volume rose by DM1bn, from DM6.1bn to DM7.1bn.

While other analysts were reducing their earnings forecasts for carmakers, B Metzler, which featured a Daimler speaker at a seminar last week, upgraded its earnings estimates for the company from DM47 to DM49 a share for 1991, and from DM57 to DM60 for 1992.

Mr Ernst von Randow, a Metzler analyst, said that the company's forecasts incorporated reducing losses from AEG and the fact that the new Mercedes 'S' series would be fully available from 1992 onwards.

Banks recovered following Monday's worries over Soviet debt. Mr von Randow said the sector was looking at an average earnings per share rise of 15 per cent this year, followed by an 8 to 10 per cent gain in 1992. "I think the Soviet loan risks are manageable," he said, "much more so than those for Mexico, Brazil or Argentina 10 years ago."

Schering dropped DM15.20 to DM805.80 for a variety of reasons, while Siemens made DM636 after hours following its official close at DM630.50, up DM6.50. Upcoming interim reports, Siemens being due today, had an influence on both. Steels weakened after the depressing results on Monday from British Steel in the UK.

MILAN was led higher by Generali's continued recovery, although share prices lost part of their gains towards the close on news of the forced liquidation of the positions of two brokers. There were fears that the forced liquidation could delay the November account settlement on Thursday. The Comit index ended 1.53 up at 512.09 in turnover estimated at near Monday's L82bn.

The Milan bourse said it had authorised the forced liquidation of the positions of Mr Claudio Capelli and Mr Giangelo Sozzi. After the close, the Milan bankruptcy court rejected a request by Mr Capelli for a negotiated settlement with creditors and declared the broker officially bankrupt.

Generali rose L550 to L25,900 as sentiment towards the insurance sector showed signs of improvement.

Olivetti rose L16 to L3,046 following the news that its chairman, Mr Carlo de Benedetti, was resuming direct management control because of the increasing problems facing the computer sector.

PARIS returned from a three-day weekend in a more subdued mood after an active session on Friday, when speculation boosted Total's share price to a record high. The CAC 40 index finished 0.89 higher yesterday at 1,858.44, after moving within a range of seven points. Turnover eased to FFr1.8bn from FFr2.7bn.

Total, which rose on Friday on talk that a Colombian oil-field in which it has a stake contained more oil than originally thought, slipped to a day's low of FFr1,014 on profit-taking. However, it recovered to close FFr6 higher at FFr1,033 in volume of 129,950 shares. Elsewhere in the sector, Elf Aquitaine also attracted profit-taking, finishing FFr5.90 down at FFr410.20 in 184,800 shares.

Eurotunnel was weak again after last week's news of delays to the delivery of intercontinental trains for the Channel tunnel link. The stock lost FFr1.35 to FFr40.55 in 1.16m shares.

Nine-month sales figures from industrial companies were one of the few incentives to buy. Alcatel-Alsthom rose FFr4 to FFr623 in turnover of FFr188m after reporting a rise in sales.

STOCKHOLM was disappointed by Astra's nine-month results, and turned mixed after a firm opening. The Affärsvärlden General index eased 4.5 to 1,001.1 in light turnover of NKr289m after NKr187m.

Astra free B shares lost early gains to close SKr1 lower at SKr554: the 40 per cent rise in pre-tax profit to SKr2.58bn was below expectations, owing to a SKr61m loss from its quarterly revaluation of assets and liabilities.

However, Astra's long-term outlook was still positive, said Mr Peter Smith at UBS Phillips and Drew, noting that operating profits were in line with forecasts and that costs linked to launching its Losec drug were falling, allowing margin enhancement to come through.

Ericsson free Bs dropped SKr5 to SKr138 in nervous selling ahead of its nine-month earnings report tomorrow.

The forestry sector was lifted by price rises for Swedish newsprint. Stora free Bs climbed SKr10 to SKr280.

AMSTERDAM was lifted by the bond market, which rose on hopes that the German g ernment's decision to impo withholding tax on inter income would divert fund the Netherlands, thus eas interest rates. The CBS T dency index added 1.6 to 9

The insurance sector con ued to rise, with Aegon Fl 3.80 at Fl 120 and Am Fl 1.90 higher at Fl 51.90. was also strong, rising Fl to Fl 39.80 after an up-beat sentation to investors and speculation about the link with British Airways.

ZURICH resumed uptrend, in active trading Monday's drop in turno from SFr968m to SFr412m. eign investors bought Ne Ciba-Geigy and Roche as Crédit Suisse index rose 2. 502.0.

Nestlé bearers, SFr150 hig at SFr8,630, topped the a list on talk of a share split, Tokyo listing and good inte results from foreign comp tors like Unilever and BSN.

MADRID remained quiet uninspired. The general in lost 1.94 to 254.93 in turno similar to the previous d Pta10bn. Investors were vous about the inflation fig for October, due today.

FT-SE Eurotrack 100 - Nov 12

Hourly changes

Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1105.90	1106.03	1105.29	1105.04	1105.59	1106.30	1107.07	1106.72

Day's High 1107.63 — Day's Low 1104.61

Nov 11	Nov 8	Nov 7	Nov 6	Nov 5
1100.31†	1102.71	1090.12	1089.50	1092.54

Base value 1000 (26/10/90) † Partial

ASIA PACIFIC

Bond market rally helps Nikkei gain 1.8 per cent

Tokyo

HEAVY arbitrage-related trading boosted stock prices yesterday, as futures prices advanced on the back of a government bond market rally, *writes Emiko Terazono in Tokyo.*

The Nikkei average rose 434.74 or 1.8 per cent to 24,667.73. The index opened at the day's low of 24,259.11, reaching the day's high of 24,689.15 in the afternoon.

Volume, however, was depressed at 200m shares, remaining under 300m for the seventh consecutive day. Trading was led by dealers, and institutional investors continued to refrain from activity.

Gains led declines by 611 to 328, with 167 issues remaining unchanged. The Topix index of all first section stocks climbed 11.57 to 1,845.52, and in London trading the ISE/Nikkei 50 index put on 1.92 to 1,394.55.

Arbitrageurs came into the market as the spread between the December futures contract and the cash market widened to 350 points. The bond market also rallied on hopes that Bank of Japan governor Mr Yasushi Mieno, scheduled to return to Japan today, will cut the official discount rate this week.

Some investment trust funds were seen bargain hunting, but larger institutional investors failed to react to the market's upsurge. "There is no real buying," said Mr Masami Okuma at UBS Phillips & Drew.

Small-lot buying by individuals supported speculative stocks. Toyo Ink, the most active issue of the day, rose Y60 to Y715 and Japan Storage Battery added Y50 at Y1,160.

The lack of fresh incentives drew some investors back into biotechnology related stocks, which have been weakening recently on profit-taking. Meiji Seika, the confectioner, which rallied last month as a cancer drug-related issue, moved ahead Y40 to Y1,170, while Meiji Milk Products appreciated Y30 to Y1,150.

High-technology issues, which have been hit by selling on concern about the worsening earnings outlook, gained ground on bargain hunting. Sony improved Y50 to Y5,010 and Pioneer Electronic Y70 to Y3,420.

Nippon Telegraph and Telephone (NTT), which has risen for the past five consecutive trading days, retreated Y6,000 to Y835,000 on profit-taking. The shares had been sought on rumours that the government might support the issue before a possible sale of a second tranche of NTT stock in the near future. Reports that foreign ownership of the shares will be allowed also encouraged investors.

Okamoto, the rubber manufacturer, forged ahead Y100 to Y831 following the World Health Organisation's reports on Aids.

In Osaka, the OSE average moved up 73.71 to 26,423.66 on volume of 16.2m shares.

Roundup

THE REGION'S markets showed wide variations in performance yesterday, seeming to move on domestic considerations rather than in reaction to the gains in Tokyo.

AUSTRALIA declined by just under 1 per cent on profit-taking following last week's cut in interest rates. The All Ordinaries index shed 16.2 to 1,676.8 in steady turnover of A$223m.

A rise in seasonally adjusted retail sales statistics left Coles Myer, the nation's biggest retailer, only 2 cents easier at A$12.38, but falls elsewhere were across the board. News Corp, in particular, was 30 cents lower at A$15.30 after Monday's 52-cent retreat.

NEW ZEALAND was reluctant to sell in spite of the losses in its neighbouring market, and small buying in thin volume took the NZSE-40 index up 9.59 to 1,557.16. Carter Holt Harvey, the forestry group in the middle of a NZ$2bn asset disposal programme, gained 6 cents to NZ$2.14 in volume of 350,000 shares.

JAKARTA was the big winner of the day, the official index rising 7.41, or 3.2 per cent to 237.23 from Monday's officially corrected 229.82. Volume nearly doubled from 4.84m to 8.04m shares, producing shortages of stock in favoured counters such as United Tractors, which put on 2,000 rupiah or 18 per cent to 13,000.

HONG KONG tumbled in the morning following news of tighter mortgage lending rules from Hongkong and Shanghai Banking. But the Hang Seng index rebounded to close a net 22.11 higher at a record 4,253.02, its fifth all-time high in the last six sessions, after falling more than 60 points in the initial minutes of trading.

Turnover was little changed at HK$1.87bn. Utilities advanced nearly 2 per cent and properties were down in reaction to the lending strictures.

KUALA LUMPUR followed Monday's 3.4 per cent jump with a slight gain, the composite index closing 2.16 firmer at 556.73 in turnover up from M$178m to M$208m.

SINGAPORE receded on profit-taking, the Straits Times Industrial index losing 9.22 to 1,482.20. Turnover fell from S$297.2m to S$239.4m.

The 1,500 mark on the STII is seen as a strong resistance level by technically minded analysts, and others were saying yesterday that the market could have risen beyond the level at which it was fundamentally secure.

SOUTH AFRICA

JOHANNESBURG rose to an all-time high, boosted by a record-breaking performance in the industrial sector. The industrial index jumped 17 to 4,332 and the all-share index put on 14 to 3,542. But the gold sector fell 7 to 1,084.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY NOVEMBER 12 1991 — US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY NOVEMBER 11 1991 — US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX — 1991 High	1991 Low	Year ago (approx)
Australia (69)	158.84	−0.9	132.83	130.13	135.03	134.25	−1.1	4.51	160.29	134.30	131.72	136.80	135.72	160.31	112.74	125.13
Austria (20)	172.44	+1.0	144.19	141.27	146.58	146.54	+0.8	1.95	170.72	143.04	140.29	145.70	145.60	222.37	153.66	202.81
Belgium (47)	133.40	+0.1	111.55	109.28	113.39	111.03	−0.2	5.33	133.31	111.69	109.54	113.77	111.28	151.20	118.04	139.76
Canada (115)	143.97	+1.2	120.39	117.93	122.37	118.01	+1.2	3.16	142.27	119.20	116.90	121.41	116.57	143.97	126.49	125.08
Denmark (37)	261.81	+0.3	218.92	214.48	222.54	226.29	+0.1	1.57	261.07	218.74	214.53	222.80	226.09	270.56	217.74	255.59
Finland (15)	87.56	−1.1	73.22	71.74	74.43	73.72	−1.1	3.30	88.54	74.19	72.76	75.56	74.54	125.15	83.69	105.42
France (109)	145.90	+0.5	122.00	119.51	124.01	127.87	+0.1	3.47	145.23	121.69	119.34	123.93	127.75	152.26	119.11	140.03
Germany (65)	113.01	+1.0	94.50	92.59	96.06	96.06	+0.6	2.36	111.92	93.77	91.98	95.51	95.51	125.35	94.15	115.92
Hong Kong (55)	175.29	+0.3	146.58	143.60	149.01	174.67	+0.3	4.25	174.78	146.44	143.62	149.16	174.13	175.29	119.62	122.29
Ireland (16)	162.72	+1.5	136.07	133.31	138.32	140.19	+1.0	3.57	160.35	134.35	131.77	136.85	138.83	182.46	132.88	150.16
Italy (77)	70.16	+0.7	58.67	57.48	59.64	64.56	+0.6	3.59	69.65	58.36	57.23	59.44	64.15	88.23	64.76	82.00
Japan (474)	140.39	+1.0	117.39	115.01	119.35	115.01	+0.7	0.74	139.00	116.46	114.22	118.64	114.22	148.97	118.23	130.33
Malaysia (68)	212.87	+0.8	178.00	174.38	180.94	224.80	+0.8	2.77	211.14	176.91	173.50	180.19	223.05	247.78	189.18	194.14
Mexico (17)	1344.18	+0.0	1124.01	1101.18	1142.60	4513.30	+0.0	1.13	1343.56	1125.71	1104.07	1146.61	4511.23	1350.05	534.45	547.37
Netherland (31)	147.65	+1.3	123.46	120.96	125.51	124.20	+0.9	4.35	145.76	122.12	119.78	124.39	123.11	147.66	125.70	133.82
New Zealand (14)	50.02	+1.2	41.83	40.98	42.52	47.20	+0.7	6.03	49.42	41.40	40.61	42.17	46.89	54.64	41.18	49.28
Norway (30)	187.13	+1.3	156.48	153.30	159.07	162.87	+0.9	1.59	184.78	154.82	151.85	157.70	161.39	223.24	178.58	228.51
Singapore (38)	211.62	−1.1	176.96	173.36	179.89	163.64	−1.0	2.13	213.93	179.24	175.80	182.57	165.38	213.93	151.63	154.65
South Africa (61)	263.69	−0.6	220.50	216.02	224.14	178.44	+0.5	2.74	265.18	222.19	217.91	226.31	177.54	265.18	173.00	165.24
Spain (53)	151.13	−0.6	126.37	123.81	128.46	117.98	−0.8	4.66	152.10	127.44	124.99	129.81	118.97	171.12	131.51	149.02
Sweden (25)	181.44	−0.9	151.72	148.64	154.23	160.69	−1.1	2.78	183.06	153.38	150.44	156.23	162.40	204.12	146.60	168.90
Switzerland (59)	98.49	+0.8	82.36	80.69	83.73	88.57	+0.9	2.18	97.74	81.89	80.32	83.42	87.80	100.67	82.17	92.66
United Kingdom (240)	182.96	+0.8	153.00	149.87	155.51	153.00	+0.6	4.86	181.44	152.02	149.09	154.83	152.02	187.44	156.27	161.66
USA (526)	161.35	+0.9	134.92	132.18	137.16	161.35	+0.9	3.00	159.90	133.97	131.40	136.46	159.90	161.35	125.95	128.22
Europe (826)	143.95	+0.7	120.37	117.93	122.37	122.14	+0.5	3.94	142.94	119.77	117.47	122.00	121.58	151.52	125.50	136.52
Nordic (107)	183.67	−0.1	153.59	150.47	156.13	154.47	−0.3	2.09	183.86	154.05	151.09	156.91	154.94	200.81	155.55	181.57
Pacific Basin (718)	141.54	+0.9	118.35	115.95	120.31	117.01	+0.6	1.07	140.31	117.56	115.30	119.74	116.33	145.92	117.86	129.52
Euro – Pacific (1544)	142.85	+0.8	119.45	117.01	121.42	119.89	+0.5	2.22	141.70	118.73	116.44	120.92	119.24	147.66	121.29	132.73
North America (641)	160.19	+0.9	133.95	131.24	136.19	158.42	+0.9	3.01	158.72	132.99	130.45	135.48	156.97	160.19	125.91	127.94
Europe Ex. UK (586)	120.81	+0.6	101.02	98.99	102.71	104.44	+0.3	3.23	120.06	100.61	98.70	102.50	104.10	129.80	103.58	120.68
Pacific Ex. Japan (244)	152.83	−0.2	127.80	125.22	129.92	135.32	−0.3	4.09	153.19	128.35	125.90	130.75	135.78	153.19	111.40	119.31
World Ex. US (1737)	144.90	+0.8	121.17	118.72	123.18	121.50	+0.6	2.25	143.78	120.46	118.16	122.70	120.83	148.16	122.32	133.03
World Ex. UK (2023)	146.16	+0.8	122.22	119.75	124.25	132.04	+0.7	2.26	144.96	121.46	119.13	123.72	131.13	146.16	120.06	127.27
World Ex. So. Af. (2202)	148.61	+0.8	124.27	121.76	126.33	133.65	+0.7	2.52	147.36	123.46	121.10	125.77	132.74	148.66	122.92	130.11
World Ex. Japan (1789)	155.55	+0.7	130.07	127.44	132.24	144.46	+0.7	3.38	154.39	129.36	126.88	131.78	143.48	155.55	126.69	131.80
The World Index (2263)	149.37	+0.8	124.90	122.37	126.98	134.04	+0.7	2.53	148.14	124.12	121.74	126.43	133.13	149.37	123.28	130.32